

CONTINENTAL SELLING PRICES: AUSTRIA S 15; BELGIUM F 25; DENMARK Kr 3.5; FRANCE F 3.0; GERMANY DM 2.0; ITALY L 500; NETHERLANDS Fl 2.0; NORWAY Kr 3.5; PORTUGAL Esc 20; SPAIN Ptas 40; SWEDEN Kr 3.25; SWITZERLAND Fr 2.0; EIRE 15p

NEWS SUMMARY

GENERAL

Smith race ruling dismay

Rhodesia's statement on the abolition of racial discrimination was heralded on all sides as a non-event, legalising and formalising already accepted breaches in the racial code.

It abolishes racial discrimination in public places including hotels, restaurants, bars, cinemas and theatres.

But the failure of the transitional Government, headed by Mr. Ian Smith, to abolish segregation in schools, hospitals and residential areas has been greeted with dismay by nationalists and white moderates.

Back Page; Editorial comment, Page 12

20 die in floods

At least 20 people were killed in the Swiss and Italian Alps in the worst flooding to hit the region in more than 25 years.

Italian arrested

An Italian man, wanted by Italian and British police in connection with art thefts, was arrested by Scotland Yard detectives on a jet flying from Miami to London.

Tanker rules

The Government plans to introduce tough new regulations for the structure and maintenance of oil and chemical tankers, according to Transport Secretary Mr. William Rodgers. Page 6

Cardinals meet

Cardinals from various countries gathered in Rome in preparation for Saturday's burial of Pope Paul. Ladbroke, the bookmaker, defended its decision to open a book on the new Pope.

Thorpe firm

Former Liberal leader, Jeremy Thorpe, is expected to confirm soon his plan to defend his North Devon seat in a general election. Leading Liberals have last night virtually abandoned attempts to persuade him to withdraw.

Three jailed

Three French tourists convicted under anti-travellers laws of illegally importing two cats into France were sent to prison, after failing to contact relatives to raise the £500 fine each faced.

Prison claim

Four men serving sentences in Ulster's Maze Prison are trying to take the British Government to the European Commission of Human Rights in Strasbourg, alleging inhuman and degrading treatment. Page 6

Docks threat

Naval bases on the Clyde could be brought to a standstill today if dockers backing the Polish submarine HMS Resolution over a pay dispute continue their ban. Page 7

Assault on peak

A team of women climbers from Britain and the U.S. arrived in Katmandu to prepare to climb the world's 18th highest mountain, the Nepalese Himalayan peak Annapurna I.

Earthquake

Brillquake rocked the town of Peshawar in north-eastern Pakistan.

Greek newspapers reported that Christina Onassis plans to divorce the Russian she married eight days ago. Her aunt denied the reports.

Thieves took over a filling station closed for modernisation and sold 1,350 gallons of petrol at 50p a gallon, Birmingham magistrates were told.

Japanese farmers have produced a liqueur flavoured with earthworms which is said to be an aphrodisiac.

Arab held after attack on Iraq's Paris embassy said he was sent by the PLO.

Starzins 110 + 8
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Tate & Lyle 177 + 1
Taylor Woodrow 412 + 16
Vinten 181 + 13
Wagon Ind'l 150 + 10
Warnford Inv's 310 + 28
Pres. Sinc 175 + 9
Shah Transport 572 + 7
Anglo American Corp. 344 + 12
CRA 282 + 12
Carr Boyd 33 + 10
De Beers Deft. 428 + 22
Rustenburg Plat. 103 + 5
Tulley Minerals 97 + 7
Unid Corp. 226 + 10
West Dist. 312 + 7
Wendell Holdings 228 + 1

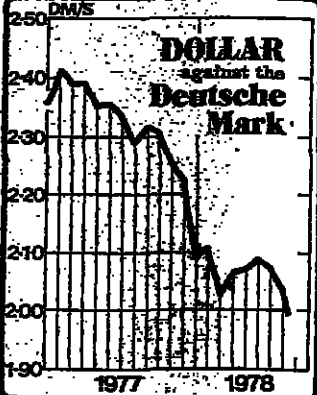
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BUSINESS

Dollar weakens; Gold at new high

D-mark rose to a record level against the dollar, closing at DM 1.9880 against \$1.20090 on Monday. The dollar was generally weaker and its depreciation



widened to 2.5 per cent (8.3 per cent). STEELING rose 40 points to \$1.6340 but its trade-weighted index fell to 62.4 (62.2).

GOLD rose to a record close of \$206 1/2 in London, reflecting weakness of the dollar, and in New York the August settlement price was 90 cents up at \$208.40.

EQUITIES related to disappointing mid-July banking figures, and a 2.5 per cent in the FT ordinary index, fell 2.2 p.m. was cut to 1.6 by the close, leaving the index at 507.4.

GILTS markets saw selling in shorts which cut 1/4 down. The Government Securities Index closed 0.23 up at 263.5.

WALL STREET closed 4.18 up at 889.21, a new high for the year.

CAR IMPORT sales in the first few days of August—the most crucial month of the motor industry's year—have risen sharply, being a little more than 50 per cent of the UK market.

THREE offshore oil exploration blocks in the South Western Approaches and the North Sea have been finally allocated under the fifth round of licences. Page 5

GOVERNMENT has refused to obey an EEC instruction that it should lift its ban on imports of mainland potatoes and open the UK market to Community supplies. At the same time the Ministry of Agriculture has announced a £22m support scheme to ensure protection for UK growers potato prices. Page 19

NATIONAL ENTERPRISE Board is about to finalise a pilot scheme with a clearing bank to provide finance for small companies. Back Page

MANCHESTER AIRPORT firemen will hold a series of lightning strikes over morning levels from this morning, following a breakdown of talks. The airport will close during the stoppages. Page 7

AUEW has become the first big union to ban official delegations to the Soviet Union as a protest against Soviet suppression of human rights. Page 7

CRANE FRUEHAUF made a loss last year of £1.7m, after having forecast in October 1977, at the time of resistance by Crane to takeover by Frankamp International of the U.S., that its pretax profit would be £2m. Back Page

BERNARD SUNLEY Investment Trust revenue for the year to March 30 rose sharply to £523,000 to £2,64m, reflecting lower interest charges and a £1.2m improvement in trading income. Page 14 and Lex

AUTOMOTIVE PRODUCTS pretax profit for the half-year to June 29 rose 17.8 per cent to £7.41m on turnover of £59.78m (£79.81m). Page 14

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Britain wins major order for two coal mines in China

BY DAVID HOUSEGO: PEKING, August 8

China has asked Britain to design, construct and equip two large coal mines at Tatung in the North-East of the country, it was disclosed here to-day. Total cost of construction is likely to run to several hundred million pounds, making the project one of the largest undertaken by the National Coal Board overseas.

Design work is to be carried out by PD-NCE, jointly owned by Powell-Duffryn and the coal board but the distribution of other orders for equipment among British companies has yet to be decided.

The Chinese announced their decision to the British trade delegation at present in Peking under the leadership of Mr. Edmund Dell, Trade Secretary.

Among the 14 industrialists accompanying him is Sir Derek Ezra, NCB chairman.

The coal board has still to carry out its own feasibility studies of the site but the Chinese have told them that the coal is of good quality, near the surface and in thick seams.

Part of the output will be shipped to Hong Kong to supply the new \$1.8bn power station being erected there by China Power and Light Equipment for the plant is being provided by GEC and Babcock Borsers.

The three-way deal indicates the importance of the Crown Colony in Britain's developing relations with China.

It was also disclosed here today that the contract for the petrochemical plant awarded to a

major British company last week interest rates below the 7.5 per cent recognised among Organisation for Economic Co-operation and Development members as part of the "gentlemen's agreement" on export-related long-term credits to developing countries reflects cheaper credit being offered by Japan—and thus a breach of the consensus.

The British delegation were told today that China has in this principle agreed to financing equipment purchases through buyer credits—a clear pointer to the direction in which China is moving in its acceptance of international borrowing which it formerly shunned.

However, China's unease at the legal formalities means that in the immediate future, loans are likely to be made through the mechanism of British banks placing deposits with the Bank of China at the same time as payments are due to a British exporter.

The mechanism in effect would give the Chinese Export Credit Guarantees Department credits of eight years and possibly longer.

The British side is evidently concerned that Chinese pressure on British companies to obtain

interest rates below the 7.5 per cent recognised among Organisation for Economic Co-operation and Development members as part of the "gentlemen's agreement" on export-related long-term credits to developing countries reflects cheaper credit being offered by Japan—and thus a breach of the consensus.

As an increasing number of contracts are disclosed, it becomes clear that China, in its new drive for rapid modernisation, has at last moved beyond its evaluation to the placing of firm orders abroad.

Apart from Britain, the Japanese have won contracts for the 6m-ton steel complex at Shanghai, an ethylene plant, a television and related components plant, and an artificial leather plant.

Germany has won contracts for five polyethylene plants and, reportedly, orders for large coal projects.

Mr. Dell had talks today with Vice-Premier Li Hsien-Nien, the country's key economic Minister.

Mr. Li told Mr. Dell he would be pleased to see the British side in the negotiations.

Continued on Back Page

Sadat-Begin summit called by Carter

BY DAVID SUCHAN

WASHINGTON, August 8

PRESIDENT CARTER will preside over a meeting between Mr. Menachem Begin, the Israeli Prime Minister, and President Anwar Sadat, of Egypt, at his Presidential retreat at Camp David on September 5, in a bid to prevent the total breakdown of the Middle East peace talks.

The summit between the two Middle East leaders, which carries high risks for the eight-month peace initiative and for the shaky political fortunes of Mr. Carter himself.

But Mr. Jody Powell, the White House Press secretary, said today: "The three leaders agree that there is no task more important than this search for peace."

Top U.S. Administration officials justified the summit invitation, which is something of a diplomatic gamble, by declaring it vital to prevent a total breakdown in negotiations between Egypt and Israel.

Mr. Carter decided on the initiative during the five-day trip to Jerusalem and Alexandria by Mr. Cyrus Vance, U.S. Secretary of State.



Mr. Begin and President Sadat: another meeting.

Mr. Vance, who will report in detail to the President when he returns to Washington tomorrow, left for the Middle East following President Sadat's refusal on July 30 to hold any further talks with Israel until the Begin Government makes a commitment to eventual withdrawal from the occupied West Bank and Gaza Strip.

Two weeks before the Camp David summit will be needed to try to extract some concessions and flexibility from the hard-line Begin Government.

Continued on Back Page

Rough diamond prices up 30%

BY KENNETH MARSTON, MINING EDITOR

A RECORD price increase of 30 per cent for rough gem diamonds mined by South Africa's De Beers and other producers was announced yesterday by the Central Selling Organisation, which handles some 85 per cent of world diamond sales.

In the first half of this year the value of these sales rose to \$1.22bn (\$600m), following the record 1977 total of \$1.07bn.

The CSO is also to discontinue the price surcharges that were imposed earlier this year to stop the hoarding of uncut stones by trade buyers hedging against currency uncertainties, notably those facing the U.S. dollar.

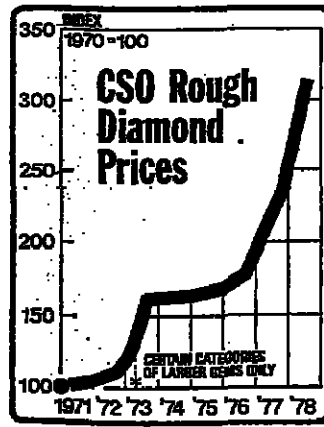
The weakness of the dollar is the major factor behind the latest increase in gem prices which are expressed in dollars. The dollar has fallen by about 20 per cent against the Japanese yen and the Swiss franc in the past eight months following the last CSO price increase of 17 per cent which

was the highest for 30 years. That increase, which followed one of 15 per cent in March, 1977, stemmed from a strong demand for rough gem diamonds which has continued. Although the speculative

hoarding of uncut stones appears now to have been broken, demand for the polished gems has also continued to be good.

Because of the high retail price mark-up which is largely lost on a re-sale, diamond jewellery is a less satisfactory hedge against falling currency values than gold in the form of bars or one-ounce Kruggerand coins. But diamonds remain a store of value.

One reason for the rise in demand over the past two years has been the success of De Beers' sales campaign which has been aimed at the less affluent market for the smaller gems.



The latest price increases take effect from August 2: at the next CSO diamond sale, of which there are 10 a year. The trade will be waiting to see how well the higher prices are accepted by the market, especially in view of the buying expected for the important U.S. Christmas trade.

Telephone engineers may step up action

By Nick Garnett, Labour Staff

THE POST OFFICE Engineering Union said yesterday that if the corporation refused to discuss the McCarthy peace proposals on their dispute without insisting on preconditions, the union would have "no alternative" but to step up sanctions.

The sanctions, which include a work-to-rule and the non-commissioning of new exchanges, are severely affecting telecommunications and postal services.

Difficulties in making international calls worsened noticeably yesterday. The booking of calls through one of the main international switching centres serving links with Africa and the Middle East has been stopped, and large companies and the clearing banks said their operations were being increasingly disrupted.

Delays in commissioning the M2000 House telephone exchange and St. Botolph's tele exchange in London are also causing further deterioration in international services.

Artificial

In a strong letter from Sir William Barlow, the Post Office chairman, to Mr. Bryan Stanley, the union's general secretary, Sir William said the Post Office had reached "the end of the road" as far as concessions to the Post Office Engineering Union are concerned and I would ask you to make sure your members understand this.

The corporation has accepted the report of Lord McCarthy, the industrial relations expert, who has recommended a cut in the engineers' working week from 40 to 37½ hours, linked to increased productivity.

The union believes that Sir William's letter means that the Post Office will refuse to discuss the report unless the engineers lift their sanctions and the union gives assurances before negotiations that it accepts the framework of the McCarthy proposals. The union says both conditions are unacceptable.

Union negotiators, however, believe the deadlock since the McCarthy report was received by the two sides is to some extent artificial.

Both sides appear to believe that the proposals could provide a basis for settlement. The union is also saying that it would be prepared to accept 37½ hours now, instead of its claim for 35 hours, provided that there was a firmer future commitment than in the report towards the lower figure.

Chapple against Post Office telecommunications sales monopoly, Back Page

BANK LENDING BUOYANT

Hopes fade for cut in lending rate

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

HOPES OF a cut in Minimum Lending Rate in the next week or two receded yesterday. This followed the publication of evidence suggesting that the rate of monetary growth has been higher than the market had been hoping, though still well within the official target range.

The banking figures for the month to mid-July indicate that lending continues to be relatively buoyant. Borrowing by manufacturing industry showed a noticeable increase for the second month running.

The clearing banks appear to be facing some difficulties in making the necessary adjustments to avoid penalties under the so-called corset controls on the growth of their interest-bearing liabilities. These were imposed as part of the Government's credit-squeeze package in early June.

The banking statistics disappointed the gilt-edged market where quite a lot of selling was reported and early gains of 3/16 at the short-end were turned into losses of 1/2 by the close.

This response was largely because the expected decline in Minimum Lending Rate a little looks like being delayed a little. The authorities are believed not to want to make any major decision on short-term interest rates for the next two or three weeks.

The main indication that monetary growth has been higher than hoped is provided by the Bank of England's figures for the eligible liabilities of the banking system as a whole. These are a major component of sterling M3, which includes cash and current and seven-day bank deposits.

These liabilities rose by 1.5 per cent to £45,040m in the month to mid-July, following a decline of 0.3 per cent in the previous month.

Banking Information Services commented yesterday that "because of the general shortage of funds in the money markets large customers continued to borrow from the clearing banks in preference to borrowing through the markets, and there appears to have been no reversal of the switching into overdraft borrowing noticed in the previous month."

Advances to the manufacturing and farming sectors showed increases in excess of the seasonal average. Sterling deposits by the UK private sector rose by £33m, most of which could be attributed to seasonal factors.

The authorities do not appear to be unduly concerned about the figures which they feel provide full justification for the reimposition of the corset controls.

Apart from seasonal influences, the figures have also been

affected by the impact of inflows of foreign currency resulting from the recent intervention to check the rise in sterling.

The rise in eligible liabilities may also have been inflated by technical money market factors, notably the pressure on the clearing banks' reserve assets ratio, produced by the recent shortage of liquidity. There has been switching of borrowing from the money market to the clearing banks.

The extent of the further adjustment needed to avoid penalties under the corset controls is indicated by a mid-July level of sterling M3 exceeding eligible liabilities of £30.17bn.

This represents a rise of just under 1.5 per cent during the month. The ceiling in order to avoid penalties is £28.12bn on average between mid-August and mid-October.

The London and Scottish clearing banks probably more than account for the recent rise. They face a conflict between the corset penalties and cutting off a rise in lending to industry, and hence dampening down economic activity.

The clearing banks believe this shows that there was not nearly as much window dressing ahead of the reimposition of the corset as had been suggested.

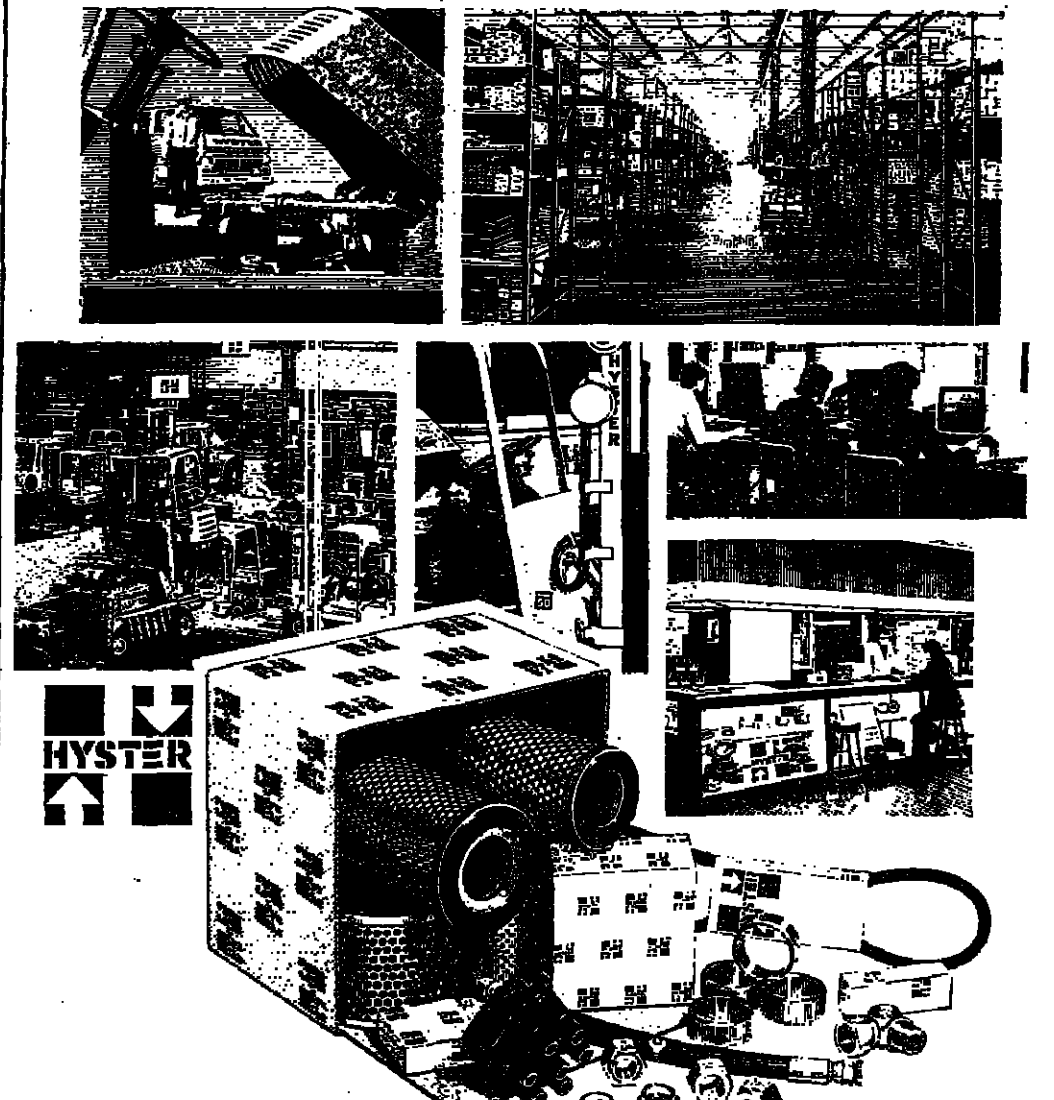
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£ in New York		
	Aug. 8	Previous
Spot	\$1.9880/\$1.9890	\$1.9840/\$1.9850
1 month	0.63 - 0.65	0.62/\$1.48
3 months	1.45 - 1.51	1.44 - 1.48
12 months	5.5 - 5.7	4.5 - 4.7



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EUROPEAN NEWS

Portuguese ready to grant takeover compensation

BY JIMMY BURNS

AFTER WEEKS of hesitation, Portuguese officials appear set to go beyond mere promises and to resolve the outstanding problem of indemnification, which is crucial to business confidence and future investment in the country.

Based themselves on one of the last decrees passed by the Socialist-Conservative alliance before its collapse nearly two weeks ago, leading Portuguese banks are now calculating the provisional value of shares of companies nationalised or "illegally" occupied in the first months of the Portuguese revolution.

Ministry of Finance officials have confirmed that by October they would have begun to pay out compensation in the form of bonds.

Calculation of the provisional values of the shares would be based on two criteria—firstly, the book value of the company, which will account for 85 per cent of the eventual compensation, and secondly, the average price of the company's shares on the Stock Exchange ten years before the nationalisation, which will account for 15 per cent.

Although this calculation does not for the moment take into account inflation, officials believe

that this will be offset by another factor—that the value of shares was generally exaggerated on the Portuguese Stock Exchange ten years ago.

Although the exact number of companies entitled to claim compensation is unclear, officials estimate that the total value of the bonds will eventually be in the region of £5,000m (£1,000m).

Before their alliance finally broke, Socialists and Conservatives in the Government were known to be divided as to what extent the Government should carry the burden of the indemnification. Dr. Vitor Constancio, the Minister of Finance, is known to have favoured loosening the eventual strain on the country's budget by making the indemnified companies include the service of the Government's debt as a cost. Conservatives felt that the Government should be more directly involved.

Spain delays decision on energy and steel pricing

By Robert Graham

MADRID, August 8.

THE Spanish Government has decided to postpone a decision on increased prices for energy and steel products. The cabinet which met briefly last night appeared reluctant to take any decision until the autumn.

A rise to "realistic" prices for industrial fuel, gas and electricity is one of the main elements in the 10-year energy plan released two months ago. However, the Government is reportedly unwilling to institute such measures now at the height of the holiday season.

The same reasoning applies to steel prices which have already been raised by 10 per cent this year. Industry sources expect a further rise of around 5 per cent which would bring Spanish steel prices into line with those throughout Europe by the end of the year.

Cabinet ministers, anxious to resume work after the holidays, approved only one major measure formalising the move whereby the state holding company, INI, buys for Pta 4bn (£22m) a 34 per cent stake in the country's third largest steel company, Altos Hornos del Mediterraneo (AHM).

The move, which has already been announced, is the first phase of a major restructuring of the integrated steel sector. Despite some pressure from the Ministry of Industry, the cabinet did not approve other measures now in the pipeline, primarily credits and rationalisation of the two largest steel concerns, the state-controlled Enxidea and Altos Hornos de Vizcaya.

Air Force jet order goes to local company

By Our Own Correspondent

MADRID, August 8.

THE Defence Ministry has decided to opt for a Spanish-produced aircraft for the air force's next generation jet trainer despite strong foreign competition.

The new aircraft, known as the C-101, will be produced by Casa in which the State holding company has a 55 per cent stake.

The C-101 will replace the ageing Hispano HA-200 which also has a strong local content. Initially 60 of the new jet trainers have been ordered worth Pta 15,460m (£103m), according to the official bulletin.

Among the foreign aircraft considered were the British Hawk jet trainer, the Italian Aeromacchi MB 339 and the Franco-German Alpha jet.

The order is confirmation of the authorities' desire to build up Spanish aerospace technology and construction through Casa, whose foreign shareholders include Northrop, Dassault and Messerschmitt. The order amounts to almost double Casa's existing turnover of Pta 8bn.

Casa has a 4 per cent stake in the European Airbus and makes the front doors and tail fin. Two months ago it was agreed that Casa should be allocated a slice of the work involved in the supply by Dassault of 48 Mirage F-1 jet fighters.

There are also reports that Casa will construct up to 20 per cent of 50 Boelkow 105 helicopters just ordered from West Germany. At present Casa's main work is the short landing short takeoff Aviocar of which it has sold over 130.

THE FILBINGER AFFAIR

Reopening Nazi wounds in West Germany

BY JONATHAN CARR

"GOD HELP" our darkened and desecrated country and teach it to make its peace with the world and with itself."

The words are those of the writer, Thomas Mann, in exile from Nazi Germany in 1937. More than 40 years later West Germany is not only at peace with, but often admired by, other countries. Yet the so-called "Filbinger affair" which reached its climax this week shows how deep the wounds of the Nazi era remain in Germany, how easily passions can still be aroused over what happened then.

At one level—even if most people feel it to be the least important—the affair is a personal tragedy. Dr. Hans Karl Filbinger has had an outstanding career in the Christian Democratic Union (CDU), the main opposition party in Bonn. He has given great service to his state of Baden-Wuerttemberg as a member of its government for two decades and as its Prime Minister for 12 years. Over the last six months he has been forced to recall death sentences he passed as a naval staff judge in occupied Norway in the closing months of the war, has seen support for him fading even among his colleagues and friends, and has finally had to step down as Premier.

It may well be asked whether it is fair to drive a man out of office for actions he took in almost intolerable circumstances almost 30 years ago. But beyond this, his critics maintain that he could have done more as a judge to postpone and prevaricate, since at that date it was clear that the war would not last much longer.

Dr. Filbinger repeated that in some cases he had been able to use his influence to obtain remission of sentences, and that had he

tion with the liberal FDP, is far indulged in dramatic gestures from displeased to see the rival CDU discredited. There are important provincial elections and Bavaria (both neighbouring Baden-Wuerttemberg) and it is conceivable that the SPD may profit from the revelations about Dr. Filbinger and from the manner of his departure. It is also true that those revelations have leaked out over the last six months, partly as a result of investigative reporting by the media, in a way likely to cause the most embarrassment to Dr. Filbinger.

Yet when that has been said, it remains true that Dr. Filbinger has been his own worst enemy throughout. He has fallen not simply because of what he did in the war, but because he was a member of what is now an older generation (Dr. Filbinger is 64) would have to give up responsible positions. Rather, he lost the sympathy of his party and those who voted for him, not just the "Left" because of his attitude when confronted with the facts.

At first Dr. Filbinger admitted only to the court martial of a naval rating, Walter Groeger, sentenced to death in January, 1945, for desertion. Yet later other cases emerged whose authenticity Dr. Filbinger did not deny but which he said he had forgotten. That admission almost intolerable circumstances almost 30 years ago. But beyond this, his critics maintain that he could have done more as a judge to postpone and prevaricate, since at that date it was clear that the war would not last much longer.

Many Germans—young and older—would be prepared to accept that defence. How many people who did not live through that time could say with certainty that they would have reacted to the pressure in a different way? Yet Dr. Filbinger spent his case in two ways.

For one thing he appeared publicly to experience little deep regret or sorrow over what had happened—whatever his private feelings may be. And he insisted that in a legal and moral sense he felt innocent over the decisions he had been forced to take in the war—even though as a Christian he admitted, as he put it, to guilt in a theological sense.

This is the point which brought down on him the sharpest attacks of a right-wing CDU spokesman, Helmut Schmidt, referring to a "pathological good conscience" and Herr Willy Brandt to Dr. Filbinger as having the "sensitivity of a rhino." But leading figures in the CDU were privately critical and even less ready to continue their support for Dr. Filbinger the longer he continued to protest his correctness. There were tumultuous scenes in the Bundestag, with the CDU arguing that the SPD was claiming for itself the moral right to decide on who had been a real Nazi and who not. But behind the public demonstrations there was an accord which cut across party lines. It implicitly recognised that the past could not be undone, but that an appropriate attitude to the past—shame, regret, an unwillingness



Dr. Hans Karl Filbinger, his own worst enemy.

to try to make excuses—was a pre-requisite for the right to hold office and help form policy. That is really why Dr. Filbinger had to go in a way which finally brought little honour to him but more for West German democracy.

It is fair to ask how long this process must continue. Will there have to be more affairs like that involving Dr. Filbinger, whose politicians remain who lived through the Nazi era. Perhaps the choice of a successor to Dr. Filbinger will provide a clue. One of the main candidates for the job is Dr. Manfred Rummel, Mayor of Stuttgart, who was finally brought to trial in Field Marshal Erwin Rommel, who was forced by the Nazis to commit suicide. Yet Dr. Rummel has recently come to the fore as a man of considerable moral courage in his own right. Not least, he has long been in the public eye for his opinion in providing a burial place for the terrorists who committed suicide in Stuttgart-Stammheim jail last year. His independent views have not always won him friends in his own CDU. But there are many who feel that his choice as new Baden-Wuerttemberg Prime Minister would most effectively draw a line under the past.

Eanes consults military on selection of Premier

BY OUR OWN CORRESPONDENT

LISBON, August 8.

PORTUGAL'S President, General Ramalho Eanes, is due to meet the country's military watchdog body, the Council of the Revolution, tonight before deciding on his choice for Prime Minister.

Under the constitution, the President must consult both the political parties and the council before making his decision.

A statement issued from the President's office early today confirmed that despite further consultations, the political parties had failed to agree on a solution to the present crisis.

President Eanes has now officially taken the initiative. He remains reluctant to call an early general election because he believes that it would be costly for the country in economic and political terms.

The President and the main political parties, including the Communist Party and the Right-wing Social Democrat Party have agreed on the second of two alternatives to early elections—the formation of a presidentially backed government of "political parties" in which the President would remain in office until the next elections, due in October, 1980.

Differences persist, however, as to the content of the government, and more immediately, as to the choice of a man to lead it.

The Socialist, Conservative and Communist Parties have all declared their preference for civilian Prime Minister. They say that this would be more truly democratic than naming a military figure.

Talks on Danish coalition

BY HILARY BARNES

COPENHAGEN, August 8.

SIR ANKER JOERGENSEN, the Danish Prime Minister, and his senior colleagues today met leaders of the Liberal Party to discuss policy alternatives for a possible coalition government.

Mr. Joergensen announced in May his intention to try to form a majority coalition, but while he has proposed which parties he would like to see in a coalition, he has been reluctant to discuss policy.

Nothing decisive was expected to emerge from today's meeting, which Mr. Henning Christoffer-

sen, the Liberal chairman said beforehand was not about the formation of a government. Mr. Joergensen has proposed Government of his own Social Democrats together with the Liberals and the Radicals, a small social liberal party. The Liberals have hitherto been reluctant to commit themselves to joining a Government without being partnered by the Conservatives. In the last few days, however, there have been indications that the Liberals may no longer be taking such a firm stand on this condition.

Experts condemn Copenhagen link

COPENHAGEN, August 8.

A REPORT by 13 leading Danish economic and technical experts today condemned government plans to build a 12-mile-long bridge linking Denmark's two main islands.

The proposed \$1.1bn Great Belt Bridge would connect Sjælland—on which Copenhagen stands—and Fyn to the west. It would complete road and rail links between the capital and all

the main Danish islands at the entrance to the Baltic, as well as to the Jutland peninsula. The experts' report said the eastern half of the bridge should be replaced with a tunnel. It added that bridge tolls would be higher than present ferry charges over the Great Belt, and the bridge would absorb more investment than could be paid for by Danish taxpayers.

Progress in N-test discussions

BY DAVID EGLI

GENEVA, August 8.

CONSIDERABLE PROGRESS towards a ban on all nuclear weapons tests was reported here today. Speaking on behalf of the three powers engaged in the negotiations, Britain, the U.S. and the Soviet Union, Sir Derick Ashe, the British disarmament representative, noted that significant progress had been made in recent months in several areas of the negotiations.

The parties he told the disarmament committee here,

had gone beyond an exchange of views on their basic approaches and principles and were now dealing with possible areas of agreement, as well as some outstanding points.

The trilateral negotiations resumed here on May 4, and have now become the longest continuous round of talks to date. The current work included the contributions of many technical specialists who were meeting on an almost daily basis to resolve

the issue of effective, but not excessive, verification, Sir Derick said.

The three powers have agreed that a treaty should ban nuclear weapons tests in all environments and include a protocol dealing with nuclear explosions for peaceful purposes.

"The present phase of the negotiations is producing results," Sir Derick claimed. The three powers were pushing ahead as fast as they could.

Paul Betts, in Rome, looks at plans to bridge the Straits of Messina Bringing help to Italy's impoverished South

THE OLD dream of linking Sicily to mainland Italy is for the first time beginning to take concrete shape. After nearly two decades of detailed studies and advanced technical tests, a consortium grouping most of Italy's major private and public enterprises including Fiat, Pirelli and the State steel group Finisider, working in collaboration with the British engineering consultants Freeman Fox and Partners, have come up with an ambitious project to build a 3.3-kilometre long single-span suspension bridge across the Messina Straits. It would become the longest such bridge in the world.

The project, estimated to cost about £1,000m, or close on \$250m, and which is expected to take between five and six years to complete, is currently being examined by the Government.

But already Sir Giulio Andreotti, the Prime Minister, has publicly supported it.

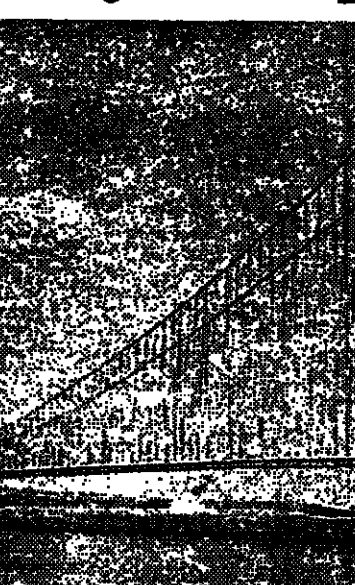
Enormous economic and social benefits would clearly be reaped from the bridge, with its projected six-lane motorway and two railways on a lower level. At present some 12m people, an estimated 600,000 railway trucks, about 800,000 cars, nearly 500,000 articulated lorries, and some 11m tons of goods cross the Messina Straits each year. By 1985, about 2,500 people every hour and five vehicles every minute are expected to cross the Straits.



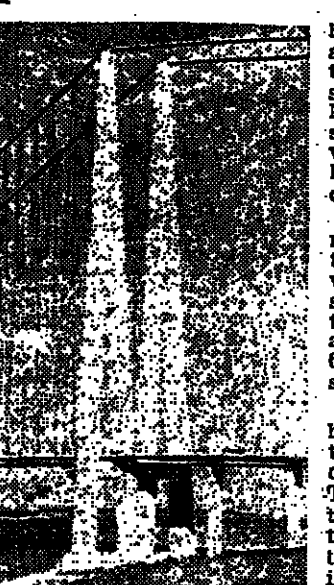
An artist's impression of the proposed suspension bridge across the straits.

ment of the South and especially of Calabria and Sicily. The two regions, whose 5m inhabitants account for about 15 per cent of the country's overall population, are among the poorest in Italy.

In this respect, the project falls neatly into the Government's current medium-term economic strategy, which in large measure aims at promoting "stable growth" over the next three years with the emphasis on the development of the Mezzogiorno, the depressed south.



The construction of the bridge, according to Professor Gianfranco Giardini, chief executive of the Italian Messina Bridge consortium, would directly generate some 5,000 to 6,000 new jobs in the area and indirectly give work to some 30,000 people. Prof. Giardini claims most of the 600,000 tons of material needed for the bridge and its related infrastructures would come from Italy.



The Messina Bridge consortium is now preparing a detailed financial study of the project to present to the Government next month. Prof. Giardini said financing would probably be shared between a consortium of banks and a state-owned institution. The consortium would be created to take overall control of the project, the State railways, the Cassa per il Mezzogiorno (a special credit institute for Italy's south), and bond issues repayable over 25 years. He pointed out that it took only four years for the Bosphorus suspension bridge to pay for itself.

Lloyds of London have already carefully scrutinised the Messina bridge feasibility study and are apparently prepared to insure the entire project. The consortium, officially called the Messina Bridge Group, claims the straits would stand up to winds of more than 200 km an hour. In any event, there was no other viable alternative.

The Messina Straits are a notoriously seismic area making the construction of an underwater tunnel practically impossible, while a bridge with foundations in the sea would represent a major shipping hazard for the 60,000 ships which cross the straits each year.

Misgivings about the project, however, have been voiced by the trade unions here and some of the left-wing political parties. The unions in particular fear that the Government may now be using the bridge as a substitute for other alternative investments in Calabria, especially the controversial project to build Italy's first integrated steel complex at Gioia Tauro near Reggio Calabria. Although the steel project has been scrapped by the Government, the unions and the left-wing parties are pressing for an alternative job-creating investment programme for Government set up a special commission for Calabria last week.

The South itself is watching the Messina bridge project warily. The new bridge would fulfil many of the expectations of the South of Italy has always been promised much, and has effectively got very little.

French air negotiations stalled

BY DAVID WHITE

PARIS, August 8.

FRENCH AIR traffic controllers failed to make any progress in talks with the Government today and are due to decide tomorrow whether to resume their go-slow at the weekend.

A Transport Ministry spokesman said there was "no rupture and no agreement" in three and a half hours of negotiations between union representatives and M. Jean Le Theule, the Minister of Transport.

Talks are meanwhile to continue with French air authorities and, on Thursday, with the Ministry's salary department. The Minister today refused to move from his tough stance on

pay and the unions' demand for military personnel to be withdrawn from control towers.

Progress seems more likely, however, on safety improvements (notably the enlargement of civil operators' share of air space) which have also figured high on the list of union demands.

The 2,500 French air traffic controllers lifted their work-to-rule a week ago, pending the start of negotiations, after protracted successive weekends of chaos in holiday flights to many European destinations.

Government officials displayed guarded optimism after today's meeting and suggested that the general unpopularity of the strike

might influence their decision on whether to resume disruptive action on the same scale.

The unions are seeking higher staffing levels (without the military staff, who assist in operations at, among others, Charles de Gaulle Airport in Paris) improved pay and pension conditions and the right to strike.

The Government has ruled out putting control towers entirely in military hands in the case of a prolonged dispute, as it did in 1973 when two Spanish airlines collided in mid-air over France during an illegal controllers' strike.

Jobless fall unlikely this year

BY OUR OWN CORRESPONDENT

PARIS, August 8.

LITTLE CHANGE in France's unemployment level is now likely over 1m—likely before next year, according to M. Francois Ceyrac, head of the French employers' council, the Patronat.

The last jobless figures showed a slight increase in the number of job applications in June, and the Government has admitted it is expecting the level to reach a peak of 1.2m.

In a television interview, the employers' leader said an improvement would come about only when the economy began to pick up, which it should "normally" do in the first half of 1979.

"All the conditions for an investment pick-up have been brought together, but one essential one is missing—money."

Companies' financial position deteriorated from the second half of 1976, and considerably in 1977. It has not improved in the first half of 1978. We

to absorb the large number of school-leavers coming on to the labour market, he said.

The Patronat was working with the unions on two fundamental issues: changes in weekly working hours (for which the Patronat has proposed a more flexible system) and unemployment benefits.

The success of the Barre Government's wage restraint policy has, meanwhile, been brought into question by the results of a survey published by the newspaper, Le Monde, showing a 3.2 per cent rise in hourly earnings in the second quarter of the year.

The increase, measured on a sample of 20,000, compares with 2.2 per cent in the first quarter and 3.3 per cent in the same period of last year.

Swiss tourism scheme

BY JOHN WICKS

ZURICH, August 8.

FOREIGN TOURISTS in Switzerland will be able to book holidays at a guaranteed sum in their own local currencies, if a plan being worked out by Swiss tourist organisations is realised.

The Swiss Tourism Federation and the Swiss Hoteliers' Association have been negotiating with banks for a system involving forward transactions, in such currencies as sterling, dollars, marks and French francs.

The scheme, aimed at counteracting the current record level of the Swiss franc, is foreseen for implementation in calendar 1979, although it might prove possible to start it this winter. Initially, the guaranteed foreign-currency prices would be offered to tour operators. It is, how-

ever, hoped to find a way to extend this to individual tourists and talks are to be held on this topic with the Swiss National Bank.

Swiss tourist interests have long been trying to find a way to offset the rise in prices due to the monetary situation. Actual cases hardly risen over the past three or four years but holidays in Switzerland have become much dearer owing to the marked rise in the exchange rate.

The Swiss hoteliers had recently suggested some type of programme similar to the export risk guarantee granted to manufacturing industry but this proved impracticable.

Dutch expulsion go-ahead

BY CHARLES BATCHELOR

AMSTERDAM, August 8.

HOLLAND PLANS to expel 76 Amnesty International, that they may be persecuted for their political activities if they return to Morocco.

The Dutch Ministry of Justice said it will go ahead with the expulsions over the next few weeks as a six-week grace period for individual cases expires.

One group of Moroccans, together with a number of Dutch supporters, has begun a protest hunger strike in an Amsterdam church. The decision to expel the Moroccans was taken after the Council of State related the appeal and in the face of warnings from a number of action groups, including

The 76 are part of a group of more than 180 illegal immigrants who were unable to take advantage of a government amnesty. They were not able to prove that they were working in Holland before November, 1974. About 18,000 illegal workers from Morocco, Greece, Spain and Turkey applied for permission to stay, and 15,000 cases this was granted.

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AMERICAN NEWS

Administration seeks to curb inflationary pay rises

BY DAVID BUCHAN

WASHINGTON, August 8.

THE U.S. Administration has been virtually the only administration to intensify and, if it is to speak out, to speak out boldly about the role of wages in creating the current inflation problem. In a big effort to reduce the acceleration of the rising U.S. inflation rate, the 84-year-old Mr. Marshall made the announcement that he would lead a new five-man committee to monitor wage settlements and inflation, which would also include Mr. Robert Strauss, who has been over the Government's anti-inflation drive, and Mr. Bosworth, chairman of the Council of Wage and Price Stability.

Mr. Marshall made the announcement at the executive meeting of the AFL-CIO trade union grouping in Chicago, in a clear bid to placate Mr. George Meany, the AFL-CIO president, who has been angered by recent statements by Mr. Bosworth about excessive wage settlements. The effect of the new committee will be to rein in Mr. Bosworth, a 35-year-old economist, who has

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Fed warned on dangers of interest rate rise

By John Wyles

NEW YORK, August 8.

A WARNING that further increases in U.S. interest rates could damage the country's housing market and raise unemployment was given yesterday by Mr. Robert McKinney, chairman of the Federal Home Loan Bank system.

His remarks—in evidence to the House Banking Committee—were primarily directed at the Federal Reserve Board. The Fed would by all accounts have come in for even stronger criticism from Mrs. Patricia Harris, Secretary for Housing and Urban Development, but she cancelled her appearance because of a disagreement with the White House over the text of her testimony.

Mrs. Harris is known to be strongly critical of the interest rate rises inspired by the Fed this year, and her failure to win White House clearance for her remarks indicates that President Carter may wish to avoid any overt sign of political pressure on the Fed.

The Fed's chairman, Mr. G. William Miller, is known to be reluctant to risk depressing an already slowing economy purely in the interests of monetary management.

His recent optimistic statements on the subject have raised some controversy among economists and any impression that the Fed is heading to political pressure on its interest rate policy could damage the chairman's position.

As chairman of an independent agency, Mr. McKinney needed no White House clearance for his testimony yesterday when he forecast that home mortgage rates, currently around 9.75 per cent, would not rise much higher, assuming "reasonable policies" by the Fed.

He assumed that the Fed funds rate, the economy's key short term interest rate on funds which banks lend each other, would rise by up to 8 per cent by the end of the year from its current level of 7½ per cent. On this projection he forecast that the system's mortgage advances will have doubled from mid-1977 by the end of the year to more than \$20bn.

U.S. COMPANY NEWS
National Airlines charge against Texas International: Modest gain at Tennesse: Disappointing Boeing results—Page 16.

THE RUMPUS AT FORD MOTOR

BY JOHN WYLES

Shareholder dissatisfaction grows

NEW YORK, August 8.

MR. Alejandro de Tomaso, an Argentinian industrialist, is preparing to join a \$50m shareholders' suit to accuse Mr. Henry Ford II, the chairman, and 19 other officers of the Ford Motor Company, of misusing company funds.

Mr. de Tomaso, whose company manufactures motor-cycles and cars, is upset at the expulsion from the Ford presidency last month of Mr. Lee Iacocca. Mr. de Tomaso said in New York yesterday that he would try to spearhead a shareholders' movement to force Mr. Ford's resignation. He would also try to amend the dissident shareholders' suit to include the charge that Mr. Ford dismissed Mr. Iacocca for frivolous reasons.

Mr. de Tomaso returned to Italy this morning and it is too early to assess how much impact he is likely to have on the court challenge to Mr. Ford, and on the dissatisfaction among some Ford dealers and shareholders over the sacking of Mr. Iacocca. If Mr. de Tomaso is successful in joining the shareholders' suit, he may give it greater credibility, given the fact that the shareholders so far involved own fewer than 100 Ford shares.

Mr. de Tomaso has 11,535 Ford shares, and he once had a direct relationship with the company Iacocca and had decided to fire through a minority holding in a car design and manufacturing what's going on?" Mr. de Tomaso said. "This guy Henry



Mr. Lee Iacocca



Mr. Henry Ford II

lawyers with the firm Saxe, Bacon and Bolan with which Mr. Roy Cohn, the plaintiffs' attorney, is also associated. Mr. Cohn came to public prominence in the 1950s as an aide to Senator Joseph McCarthy.

The suit alleges that Mr. Ford improperly accepted \$750,000 from a supplier, misused company funds to maintain apartments for his personal use, and engaged in other improprieties, about which other directors knew or should have known and failed to prevent. Mr. Ford is also accused of authorising an improper payment of \$1m to secure a contract from the Indonesian Government. This allegation is being investigated by the Department of Justice.

Meanwhile, the Ford Dealer Alliance, representing 1,200 of the 6,500 Ford dealers in the U.S., is refusing to allow the Iacocca controversy to slow down. The former president was popular among the dealers, who regarded him as their principal contact and voice at the top level within the company.

Mr. Ed Mullane, president of the alliance, is surveying all dealers to try to establish the size of their aggregate shareholding in the company. Mr. Mullane, who has been fighting to have the Iacocca decision reversed, has complained that "a worker on the line has more than 6,500 dealers with \$10bn of investment."

Carter signs New York aid package

By Our Own Correspondent

NEW YORK, August 8. PRESIDENT CARTER is due to sign the legislation providing aid to New York City here later today in ceremonies designed to succeed the maximum political benefit out of the White House's successful backing for the programme.

The final passage last month of the aid plan for New York (prospects for which at the turn of the year looked unpromising) has been judged a success worthy of exploitation.

The package, however, is less than both the city and the White House were seeking and is hedged around with more safeguards than either wished. Instead of providing federal guarantees for up to \$2bn, the bill which emerged from the Congress guarantees up to \$1,600m parcelled out over four years with either House of Congress holding the right of veto in the second and third years if it was dissatisfied with New York's progress towards economic rehabilitation.

Bribes alleged in contract for S. Korean hospital

BY OUR OWN CORRESPONDENT NEW YORK, August 8.

A LEADING U.S. hospital supplies company today accused another of paying bribes on a contract to build a hospital in the South Korean capital, Seoul. The accusation was made by American Hospital Supply, a maker of medicines and hospital equipment, based at Evanston, Illinois, against Foremost-McKesson, another medical goods company, with interests in land development and based at San Francisco.

According to court papers filed in Los Angeles, American Hospital Supply took over a \$32m contract from Foremost-McKesson in 1974 to build the South Korean National University Hospital. American Hospital Supply alleges that Foremost-McKesson failed to disclose that the contract would involve payments to senior South Korean Government officials.

Foremost-McKesson has denied the charge, claiming that it made no questionable payments on the contract which involved a two-year feasibility study. It backed out of the contract, it

said, because it seemed too big a business commitment to take on at the time.

(Mr. Thomas Drohan, president and chief executive of Foremost-McKesson, said that the company declined to go ahead with the hospital project "for a number of reasons," AP-DJ reports.)

Foremost-McKesson "had been 'forthcoming and candid' with American Hospital about the project, and made no questionable payments in connection with its work on the project, which consisted of a two-year feasibility study," Mr. Drohan said. He added that the company will file a motion in a federal court in Los Angeles to dismiss it from American Hospital's suit.

In a filing with the Securities and Exchange Commission two weeks ago, American Hospital said that it was investigating whether close to \$1m in commission fees paid to obtain a current contract were used for "illegal or questionable purposes."

U.S. energy policy record attacked by OPEC chief

BY DAVID LASCELLES

NEW YORK, August 8.

THE SECRETARY-General of the Organisation of Petroleum Exporting Countries (OPEC) Mr. Ali Mohammed Jaidah, today accused the U.S. of dragging its feet over energy policy, and said that his organisation was viewing the weakness of the dollar with growing concern.

In an address to the annual meeting here of the American Bar Association, Mr. Jaidah expressed dissatisfaction with all major aspects of U.S. energy policy, and blamed it on the country's "psychological inability" to confront its energy problems.

He said that although U.S. energy consumption was triple the West European level, he saw little attempt to curb it in industry, which was the largest single consumer with some 37 per cent of the total. Contrary to what many people thought,

OPEC "welcomed measures to conserve energy," he said.

Mr. Jaidah also said the U.S. should do more to develop alternative sources of energy, notably coal of which he believed the country could be an exporter. He also urged development of nuclear power, though he acknowledged there were problems of technology and safety.

The thrust of Mr. Jaidah's attack was aimed at the only two areas where he saw change. U.S. attempts to reduce dependence on oil, he said, had been translated into an effort to develop non-OPEC sources of oil, like the Alaskan North Slope and the North Sea. "This feverish development is designed to offload as much non-OPEC oil on to the market as possible," he said. The exploitation effort should be more evenly distributed to avoid distorting the market and creating a glut.

Military group topples president in Honduras

TEGUCIGALPA, August 8.

GENERAL Juan Alberto Melgar, refused to reveal his personal wealth to a commission investigating a bribery scandal.

The Superior Council, ruling body of the armed forces, said that the men in the new junta, besides General Paz, were Col. Amilcar Celaya, the security forces chief, and Col. Domingo Alvarez Cruz.

His predecessor, Gen. Lopez, had been the strong man of Honduras politics for 12 years. He was brought down during an inquiry into an admission by the giant U.S. food company, United Brands, that it had paid a \$125m bribe to an unnamed, senior Honduran official.

United Brands said it paid the money in 1974 to win tax concessions on banana exports from its Honduran plantations. Bananas are the republic's main export.

Gen. Melgar was brought to power by a group of colonels in April, 1978. He displaced Gen. Oswaldo Lopez Arellano, who had Reuter

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OVERSEAS NEWS

China and Vietnam clash at refugee negotiations

NEGOTIATORS FROM China and Vietnam took a tough line in Hanoi today when they opened talks aimed at settling their dispute over the position of ethnic Chinese in Vietnam.

The Vietnam News Agency, monitored in Hong Kong, reported a sharp exchange of words when the Ministers met the press. It said the Chinese chief delegate, Mr. Chung Hsi-tung, Vice-Foreign Minister, accused Vietnam of ostracising, persecuting and expelling Chinese residents.

Mr. Hoang Bich Son, Vietnamese Vice-Foreign Minister, answered: "What must be stopped is the enticement and forcing of Hoa (Chinese) people to leave for China and not the expulsion of Hoa people, which the Vietnamese side has never done." The agency said the two Ministers were speaking to reporters after the first round of talks.

More than 160,000 ethnic Chinese have crossed into China from Vietnam since early this year and Peking has accused Hanoi of expelling them. Vietnam has denied this and said that they were being persuaded to leave Vietnam by subversive elements encouraged by Peking.

The two Ministers expressed the hope that the talks would be successful. Mr. Hoang said Vietnam would spare no effort to contribute positively to the results of the negotiations.

"The Vietnamese side has always preserved the friendship between the Chinese and Vietnamese peoples," the Vietnamese people have always been loyal to the Chinese people and the Chinese revolution," he said.

If the Chinese side wished for good results from the negotiations, it would join the

relations between the two countries and harming their friendship.

To sit together to settle differences was very important but even more important was sincerity and goodwill on both sides, Mr. Hoang said.

In Peking, an official spokesman reported the opening of the talks without details. According to the Vietnamese news agency, 50 Vietnamese and foreign reporters were allowed into the hall for the first few minutes of the meeting. The actual talks were held behind closed doors.

Reuter

Japan offers compromise

BY ROBERT WOOD

TOKYO, August 8.

MR. SUNAO SONODA, Japan's Foreign Minister, flew to Peking today to seek a breakthrough in negotiations for a peace and friendship treaty between Japan and China.

Asahi Shimbun, one of Japan's leading newspapers, reported that the Foreign Ministry had prepared a new version of the third-nation clause, a provision sought by Japan that China is reluctant to accept. Japan's original wording: "This treaty is not directed at a specific third country," was said to have been changed to: "The conclusion of this treaty by Japan and China and maintenance of peace and friendly relations will not damage diplomatic relations with any other country."

Japan has demanded the insertion of such a clause as a condition for signing the treaty. The Japanese are apparently attempting to compromise between their own desire to say the treaty is not directed at a specific third country and the Chinese desire for vagueness by saying simply that the treaty will improve relations with any other country.

in mind is clearly the Soviet Union, but the Japanese want the treaty phrased in such a way that they can declare it is not anti-Soviet. The Chinese have opposed previous Japanese proposals for a third-nation clause as illogical.

The new Japanese proposal, as reported, is a compromise. It is a proposal given to Japanese reporters on Saturday. Previously, the Chinese had objected to the phrase, "specific third country" in Japanese drafts of the third-nation clause. They preferred to leave the term "third country" unmodified.

Since Oriental languages do not use articles or plural forms of nouns, it would be possible to read the clause as saying that the treaty was not directed at a specific third country. The Japanese are apparently attempting to compromise between their own desire to say the treaty is not directed at a specific third country and the Chinese desire for vagueness by saying simply that the treaty will improve relations with any other country.

NIGERIAN OIL Sensitive pricing to overcome past errors

By Mark Webster

LAGOS, August 8.

NIGERIA is prepared to offer longer-term pricing agreements on oil sales to improve relations with its customers and obtain a steady income, Colonel Muhammadu Buhari, chairman of the Nigerian National Oil Corporation (NNPC) said here.

Nigeria is also considering making barter deals exchanging oil for goods in order to conserve foreign exchange. But the country would not make deals which would affect Nigeria's own oil market, he said in an interview with the Financial Times.

Col. Buhari said that Nigeria had learnt its lesson from the dramatic fall in its oil exports in January and February this year and future oil pricing policy would be much more sensitive. "We have made mistakes, we would not deny that. But we have learned a great deal. A long term agreement is better for both sides than taking advantage of short term changes," he said.

He said that Nigeria's pricing policy which led to the fall in exports between October 1977 and February 1978 had been governed by the spot sales on the international oil markets. He said oil company executives turned him in the autumn of 1977 about the danger of maintaining the high price of Nigerian crude.

"But it's so difficult when you can see from the spot market that they still have some edge on what you are selling them," he said.

He agreed that Nigeria had misread the world market when it was fighting for a shrinking market in light oil sulphur crude against North African suppliers and against increasing production from the North Sea.

The business which Nigeria lost was in the main the third party customers who were either small companies which could not afford to have their margins squeezed or large companies which took only a small part of their supplies from Nigeria. Their annual contracts came up for renewal in the autumn and many of them did not renew.

Oil production reached its lowest point in January and February when it was 1,450 barrels per day (b/d) compared with 2,000 b/d at the same time last year. Since April reductions of between 10 and 17 cents per barrel have been in effect. The mandate is due to expire on October 20, but the Arab League will have to make a decision on the matter when it holds its regular session in Cairo next month.

Right-wing leaders have insisted the Syrians must withdraw from Beirut at once, and from Lebanon altogether when their present mandate expires.

Japan to revive subsidy scheme for shipbuilding

BY OUR OWN CORRESPONDENT

TOKYO, August 8.

JAPAN'S Ministry of Transport is to revive its controversial scheme for subsidising shipbuilding which was dropped at the end of the 1974-75 financial year. Under the scheme payment of interest on funds raised for building new vessels under Government-sponsored shipbuilding programmes is covered by the Government.

The scheme, which was first adopted in 1947, was dropped four years ago when it was felt that Japan's shipping lines had become financially strong enough to do without the interest rate subsidy.

But the Government now considers it necessary to reintroduce the scheme to help the shipbuilding industry get over its present slump. Other rescue measures already announced are considered to be insufficient to help the industry through the crisis.

The Ministry plans to introduce the necessary financial measures in the supplementary budget for fiscal 1978. It would like to apply the subsidies retroactively for those ships constructed in fiscal 1978.

The Government will extend long-term low-interest loans through the Japan Development

Bank and other city banks to vessels through their foreign subsidiaries or affiliated foreign shipping companies so as to use foreign crewmen who are less expensive than Japanese crews. They then charter back these vessels under foreign flags. The Ministry of Finance, then has to set up favourable interest subsidies so that the cost differential between Japanese and foreign crewmen is cancelled out. This would then stimulate construction demand for Japanese owned vessels.

Honeywell joint venture

BY ROBERT WOOD

TOKYO, August 8.

HONEYWELL INFORMATION Systems has announced the establishment of a joint venture with a subsidiary of the Mitsubishi Group to sell its products in Japan.

Honeywell is the last of the major U.S. computer makers to establish a sales company in Japan. The joint venture will be called Honeywell Information Systems Japan. It will be 50 per cent owned by the American parent and 20 per cent owned

by Mitsubishi Office Machinery, an office equipment dealer. Mitsubishi Office Machinery is in turn 47 per cent owned by Mitsubishi Corporation, the trading company of the Mitsubishi Group. Its other stockholders include Mitsubishi Electric and Fujitsu, Japan's largest makers of office computers and large-scale computers respectively.

The new venture will have a staff of 230, almost all transferred from Mitsubishi Office Machinery.

Rise in clothing sales abroad

BY RHYS DAVID

BRITAIN'S clothing industry is continuing to increase its exports substantially, with the total value of goods sold overseas in the first six months of this year reaching nearly £300m.

The figure for the period 1-2347m—represented an increase of nearly 20 per cent on the same period last year when total exports were £246m and a further improvement is expected in the second half, traditionally the best period for UK clothing exports which are strongest in heavier weight garments.

The industry is expecting as a result to end the year ahead of last year's record total of £800m overseas sales. A target figure

of £1bn in exports by 1980 has been set for the industry by the Clothing Export Council.

The industry's increased export performance has been achieved despite buoyancy in the home market for much of this year, which has been feared might lead to some diversion away from overseas markets. Imports into the UK in the first six months were up on the same period the year before but these, too, increased more slowly than exports. Clothing imports in the January-June period totalled £420m compared with £378m a year earlier leaving a trade gap of £126m compared with £132m in the first half of last year.

Imports in June, however, were at a very high level, reaching £47m, an increase of 38 per cent over the same month last year, while exports in June rose by only 27 per cent to a monthly total of £48m. The imports surge in June may not be repeated during the rest of the year, however, as the effects of the bilateral agreements reached under the GATT multi-fibre arrangement begin to take effect.

This is thought to have produced some bunching of deliveries in the earlier part of the year. Figures published by the CEC show that the EEC, where much of the export effort has been concentrated over recent years, now accounts for around half total sales overseas.

Warning on Polish-Soviet deal

BY CHRISTOPHER BOBINSKI

A POLISH weekly has warned that the costs of the country's investments in new materials and technology in the Soviet Union, which are to be repaid by the Soviet Union in kind, will rise dramatically.

An editorial in the weekly *Przeglad Techniczny* says that the cost of investments connected with the use of Soviet materials and gas (which it says will be the main source of Comecon energy after the year 2000) will be enormous.

"They will be capital-intensive investments on an enormous scale and Poland must begin to prepare itself for undertaking them," the weekly writes. The present level of participation by Poland "is only a forewarning of what awaits us in the not too distant future."

The article provides no details of the size of present or future investment burdens, but the Hungarian paper *Figyelő* earlier this year said that Poland had allocated 2.3 per cent of its 1980 budget to projects of this kind.

This was less than East Germany which had devoted 3 to 3.5 per cent of investments to joint Comecon projects, Hungary with its total of 4 per cent and Bulgaria with 2.5 to 2.6 per cent. But it was more than Romania's 2 per cent allotment.

Figyelő also wrote that the 11 joint Comecon ventures located in the Soviet Union will cost 7.4bn transferable rubles and that the East European countries will provide 3.4bn rubles of this figure.

Comment on the economic feasibility of this kind of project for the raw-material-scarce East European countries was also provided earlier this year by Prof. Koltman Peci, a member of the Hungarian academy of sciences, writing in *Kulgaszassag*, a foreign trade monthly.

According to Mr. Peci, interest rates on this kind of credit are low and inflation diminishes their value with time.

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Generators for West Germany

ELECTRIC CONSTRUCTION OF

Wolverhampton, a Hawker Siddeley company, has formed a new company in West Germany, ECG Generatoren GmbH.

The new company will be the focal point of a campaign to secure a share of the West German industrial and marine market for ac generators up to 500 kVA in addition to its market for conventional ECG Generatorenvertrieb has its own warehouse already containing a substantial volume of completed generators and accessories available for immediate delivery to many large outlets in Hamburg and further afield. Technical sales and service facilities are also on call from the newly established company.

Dutch gas exports fall

BY CHARLES BATCHELOR

AMSTERDAM, August 8.

DUTCH GAS exports fell by ten per cent to 24.4bn cubic metres in the first half of 1978 compared with the same 1977 period. The reasons for the decline, which continues the trend begun last year, were the low level of economic activity and increased deliveries from the Norwegian Ekofisk field to West Germany, France and Belgium at the expense of Dutch gas.

Holland's gas industry recently negotiated its export contracts to allow the same amount of gas to be delivered over a longer period. This change in policy is also reflected in the lower level of exports in June. Exports of a particularly sharp fall—of 30 per cent—to only 2.5bn cubic metres compared with

Domestic consumption rose by 4 per cent to 24.3bn cubic metres although this was less than expected. Despite the boost to demand from the colder than average weather, the low level of domestic economic activity and the extension of the duration of delivery contracts cut demand.

Gasunie, the national gas distribution company, recorded its first fall in exports last year by two per cent—since Holland became a major gas producer in the early 1960s. Exports were initially not expected to start to fall until 1980 as contracts are allowed to expire. Holland is now saving its gas for high value domestic use.

BRAZILIAN TRUCK INDUSTRY

Drought brings a crisis in sales

BY SUE BRANFORD IN SAO PAULO

LORRY MANUFACTURING in Brazil is passing through an unexpectedly serious crisis this year, with sales sharply falling in the surprisingly good performance being achieved by the motor industry as a whole.

Lorry sales fell 14.2 per cent during the first half of this year, from 56,137 vehicles in 1977 to 48,179 in 1978. The worst-hit company has been Swedish Saab-Scania, which, unlike the other manufacturers, is almost exclusively dependent on lorries of the 40-tonne range and a few buses.

Its sales have slipped by 38 per cent, from 2,148 lorries during the first half of 1977 to just 1,374 lorries this year. It recently announced that, after reducing output by a fifth, it would be cutting its workforce by 75 per cent. About 300 workers have already been sacked and a further 150 dismissals are expected.

It is no coincidence that the outbreak of strikes, which began in greater Sao Paulo in May and continued up to the present, has been in the trucking industry. As an emergency measure, the company had abolished overtime. Brazilian metal-workers, who earn a quarter or less of the wages received by their European counterparts, depend heavily on overtime to swell their pay packets.

The present difficulties in the lorry sector are being attributed

mainly to widespread crop failures, caused by the prolonged drought, which, despite a partial recovery in coffee production, will lead to a sharp fall in agricultural product this year. Additional factors have been anti-inflationary measures by the Government, including a cut-back in special Government financing programmes for lorry purchases and tightening of the payment period for lorries, which was reduced from 36 to 24 months. For a small transport company, a monthly outlay of £1,400 to pay for a £5,000 heavy lorry, is an extremely heavy commitment.

The manufacturers have been hit by very unequal fashion. Mercedes-Benz, which has been doing well in recent years, has consolidated its position. Its sales have even increased this year, reaching 25,331 lorries, which is 9 per cent up on the 23,785 lorries sold during the first half of last year.

Part of the German company's success is explained by its concentration on smaller—used in urban transport and less less trolled by Alfa Romeo and other more general terms, however, Mercedes-Benz has continued to take advantage of the massive downswing in petrol-driven lorries. Whereas in 1973, 57 per cent of the lorries manufactured in Brazil ran on diesel, by last year the proportion had risen to an overwhelming 97 per cent.

More than any other manufacturer, Mercedes-Benz, which has always manufactured diesel-driven vehicles, was ready, waiting in the wings, to take advantage of the new trend. The change was in part provoked by the government, which, in its zeal to cut petrol consumption by private cars, has constantly authorised larger increases in the price of petrol than diesel.

Another company which is weathering the storm without much damage is Ford. Its lorry sales have risen slightly, from 9,046 during the first half of 1977 to 9,323 this year. Management sources attribute much of their success to new, popular models introduced during the whole of last year.

Apart from Saab-Scania, another manufacturer to have been badly hit is Chrysler. Its sales have fallen by 56 per cent to 1,198 lorries during the first half of this year. The fall in demand for lorries,

Competitor for Airbus planned by Lockheed

By Michael Donnan, Aerospace Correspondent

LOCKHEED OF the U.S., which already builds the TriStar jet airliner with Rolls-Royce RB-211 engines, is offering a new version of the aircraft to compete in the "200-seat" airliner market for the future.

This market is already dominated by Airbus Industrie, the European consortium which is offering its B-10 version of the A-300 Airbus, and by Boeing, which has launched its model 767 with a bid order from United Air Lines.

Lockheed is determined not to be left out of this market, where sales of several hundreds of aircraft are likely over the next few years, and it is making "firm offers" of the Series 400 aircraft for delivery in 1981, a year earlier than either the B-10 or the 767.

The Series 400 TriStar would cost \$50m to develop. It will be shorter in length than the basic TriStar, and carry 230 passengers over a range of 3,200 to 5,000 nautical miles.

While basically the Series 400 TriStar will be offered with Rolls-Royce RB-211s, Lockheed is willing to consider any of the current generation of engines, including the Pratt & Whitney JT-9D or General Electric CF-4 series, if this helps to promote sales.

The Lockheed decision to push the Series 400 hard in the 200-seater market now means that airlines which want a 300-seater aircraft, but which also need smaller aircraft, can acquire the latter without complicating their fleet engineering and maintenance systems with different types of aircraft.

The question now outstanding is what the other major manufacturer, McDonnell Douglas, intends to do. The DC-300, but so far has not said whether or not it plans to build it.

The company can hardly stand by and see the big market for 200-seater jets going to its rivals in Europe and at Boeing and Lockheed. It has a 300-seater aircraft, the DC-300, but it has not said whether or not it plans to build it.

Lockheed says it has reached agreement with the British Government for "stretching" 30 Royal Air Force Lockheed Hercules aircraft, with the work to be completed by the end of 1981. In June, the U.S. Air Force awarded the company a contract to stretch its entire fleet of 271 Lockheed C-141 aircraft.

Guarantees modified by Eximbank

WASHINGTON, August 8.

THE U.S. Export-Import Bank (Eximbank) has modified its medium-term export credit programmes to help foreign exporters of machinery, agricultural equipment and other capital goods to sell more U.S. products abroad.

Under the new arrangements, the Eximbank and the Foreign Credit Insurance Association (FCIA), a group of U.S. exporters and manufacturers, will permit qualified foreign distributors of U.S. capital goods to switch their export credit guarantees to "credit-worthy" customers who will be the end-users of the U.S. exports. This option was not previously available.

While the switching of guarantees will be done on a case-by-case basis, Eximbank officials say the new procedure will permit foreign distributors to use their capital to stock more inventory and thus buy more equipment from U.S. suppliers.

AP-DJ

Fraser faces criticism over dismissal

By Our Own Correspondent

CANBERRA, August 8. THE Australian Prime Minister, Mr. Malcolm Fraser, faced strong criticism from within his own Liberal Party today over the dismissal of the fifth-ranking member of cabinet, Senator Reginald Withers.

A number of Liberal parliamentarians publicly defended Senator Withers, and threatened action if he were not reinstated. They claimed that if Senator Withers had acted improperly in influencing an electoral result, Mr. Fraser was equally culpable because he had known about it for seven months and taken no action.

The Labour opposition leader, Mr. William Hayden, was quick to take political advantage of the crisis. He said Mr. Fraser was deeply involved in the cover-up attempts and could not escape responsibility simply by "sacking an accomplice."

Mr. Fraser today made public a Royal Commission report which caused him last night to dismiss Senator Withers, who was the Government's leader in the Senate as well as Minister for Administrative Services—a department which includes the electoral office.

The report said that Senator Withers had acted improperly by intervening to change the name of a proposed electorate in Queensland during a redistribution of electoral boundaries. In a statement issued after a special cabinet meeting today, Mr. Fraser justified his action by saying the community rightly demanded a high standard of behaviour from Government Ministers.

Australia, U.S. conclude nuclear accord

By Our Own Correspondent

CANBERRA, August 8. AUSTRALIA TODAY concluded an interim agreement on nuclear safeguards with the United States.

The interim agreement, contained in an exchange of notes between the Australian Foreign Minister, Mr. Andrew Peacock, and the U.S. Ambassador, Mr. Philip Alston, established safeguards to operate until the 1986 Australia-U.S. Nuclear Co-operation Agreement can be formally renegotiated.

Mr. Peacock said the interim agreement would help Australian safeguards negotiations with other countries by providing a procedure to deal with cases of "overlapping controls."

Such overlapping could arise when Australian uranium was exported to a third country via the U.S. for enrichment.

When this happened, the third country needed to obtain the prior consent of both Australia and the U.S. for any retransfers, high enrichment or reprocessing. Under the new arrangement the U.S. would in effect act as Australia's agent, seeking Australia's approval before giving its own.

Mr. Peacock said that the interim agreement reaffirmed the safeguards in the 1956 Agreement, as well as new and stringent safeguards requirements set out in the recent Nuclear Non-Proliferation Act in the U.S. and the Australian Government's policy announced in May 24 last year.

Australia yesterday signed its second bilateral nuclear safeguards agreement. The Australia-Philippines agreement was signed by the Deputy Prime Minister, Mr. Douglas Anthony, in Manila.

W. German air force joins in aid for Sudan

By Alan Darby

KHARTOUM, August 8. WEST GERMANY'S air force has come to the aid of Sudan by flying supplies from Port Sudan to Khartoum and towns in western Sudan.

Six German Transall transport aircraft flew to Khartoum with medicines, food and tents for flood victims in the Gezira and neighbouring provinces, a few days ago. They have stayed on to provide more general relief, flying aircraft fuel, sugar, milk powder and other foodstuffs from Port Sudan to Khartoum.

The West Germans also flew aviation fuel to El Obeid in the West. Missions to El Fasher are also planned.

In addition, three planes chartered by the Protestant charitable organisation, the German Diocesan Association, have flown in 600 tons of agricultural chemicals. West German Government aid is valued at DM200,000 and the association's at DM 800,000.

It is reported that any relief flights to the southern region will be handled by Saudi Arabian Hercules aircraft, which are also assisting Sudan.

Sudan's need for logistic support is due to a number of factors. The refinery at Port Sudan has been closed for two weeks because of a water shortage and the supply of Iraqi crude has been intermittent. The rail link between Port Sudan and Khartoum has suffered at least two major wash-outs. The Port Sudan to Khartoum pipeline is working at about 60 per cent of capacity. The railways have been beset with equipment, manpower and management problems and the domestic airline is going through a difficult period.

The first note was delivered shortly after 10.00 am. It was a light aircraft flying near the border, killing the pilot and the three passengers, all British. A government statement said the aircraft was in a restricted area for which it had not received clearance.

There is considerable tension along the border area as a result of clashes between Rhodesian forces and guerrillas of Mr. Joshua Nkomo's Zimbabwe African Peoples Union (ZAPU).

UK protest note to Zambia

BY MICHAEL HOLMAN

LUSAKA, August 8.

THE BRITISH High Commissioner to Zambia, Mr. Leonard Allison, is expected to deliver a second protest note over border incidents involving British subjects and Zambian soldiers, diplomatic sources said here today.

The note is to be presented to the Ministry of Foreign Affairs, follows the shooting on Saturday of two Zambian-born British farmers by a Zambian soldier, Charles and Hannah Ross, who were killed in their late twenties, were shot while driving near

their farm at Choma 50 miles from the Rhodesian border. They are seriously ill in a Lusaka hospital. The soldier has been arrested and the Zambian army has expressed its regrets. No news of the incident, however, has so far been carried in the Zambian Press or on radio and television.

The sources say the note will refer to the shooting as well as several incidents in which British subjects have allegedly been ill-treated by members of the Zambian National Defence

Force.

HOME NEWS

Offshore oil block licences confirmed

BY RAY DAFTER, ENERGY CORRESPONDENT

THE GOVERNMENT has confirmed the award of three more offshore oil blocks under rounds 132 and 133, to the west of the fifth round of licences.

The blocks, two in the South Western Approaches and one in the North Sea, were allocated conditionally in October, 1976, a year after the Government had announced that it was issuing new licences to boost exploration.

However, as with other fifth round blocks, their formal allocation has been delayed while companies and the state-owned British National Oil Corporation have argued about the new package of conditions introduced with the licences. For instance, BNOOC has a 51 per cent stake in virtually all of the 44 blocks awarded in the fifth round.

Those announced yesterday are: blocks 86/13 and 87/12, off the south coast of Cornwall, to BNOOC, BP Petroleum Development, Total Oil Marine, Elf Oil Exploration and Production, Aquitaine Oil, and Elf Oil Exploration and Production, Aquitaine Oil, and Elf Oil Exploration and Production.

The allocations still leave one licence, relating to four blocks, to be confirmed. These blocks have been conditionally awarded to a BNOOC/BP group in quadrants 132 and 133, to the west of the fifth round of licences.

question whether the Government's next round of offshore licences will be big enough.

The Energy Department yesterday formally invited companies to apply for the 46 blocks offered in the sixth round.

Mr. Anthony Wedgwood Benn, Energy Secretary, has indicated that he hopes these blocks will be awarded to companies some time next year at the latest.

On the Norwegian side of the North Sea median line, an offshore consortium is evaluating what could be a major oil discovery.

A group led by the state-owned Statoil Corporation has struck oil in block 34/10, close to Anglo-Norwegian Statoil and Murchison fields, in what is regarded as the "Golden Block" of the Norwegian offshore sector.

Statoil holds 85 per cent of the concession, Norsk Hydro has a nine per cent stake and Saga Petroleum holds the remaining six per cent.

As reported in the Financial Times earlier this month, Statoil is not yet based on speculation about the reserves in the block.

However, unofficial oil industry reports have suggested that the block could contain as much as 500 barrels. Technical aid to Statoil is being provided by Esso Exploration.

Holiday brochures 'misleading on diseases'

BY DAVID CHURCHILL

INFORMATION given in holiday brochures issued by most tour operators is "inadequate or misleading" about exposure to tropical diseases, claims a leading physician in an article published today.

The result is that many travellers to the tropics, including much of the holiday industry, are more likely to die or have a serious illness contracted while abroad.

Professor Alan Woodruff, of

the London School of Hygiene and Tropical Medicine, says in the Journal of the Royal College of Physicians, that tour operators' brochures do not give a warning that medical measures should be taken and can readily be taken against malaria, trypanosomiasis and other diseases equivalent in the areas to which they will take passengers.

He says that doctors anywhere in Britain should consider tropical disease as a

possibility when confronted by a patient. "Some of these patients will be suffering from a disease that could be transmitted to others and so present a community hazard."

"Others will have diseases that, though not transmissible to others in Britain, are dangerous to themselves."

Among diseases capable of being transmitted within Britain and which appeared to be increasing among air travellers were infectious

hepatitis, tuberculosis and salmonella infections, including typhoid fever.

Smallpox, although almost eradicated, lingered on in the Horn of Africa. Other virus infections, such as Lassa Fever, must also be guarded against.

Professor Woodruff points out that the vast increase in international air travel has put the UK at risk of exposure to such diseases. "The figures for London Airport indicate

that one in 13-18 people in this country have been exposed in the recent past to disease in tropical or sub-tropical regions."

But he believes that "the hazards of airline imported disease" can be overcome if doctors are aware that they may be the cause of an illness.

It is almost always possible to reach a diagnosis fairly readily, to carry out effective management of the patient, and to protect the community."

Mrs. Williams faces fight over schools

BY JAMES McDONALD

THE Conservative-controlled Kent County Council—already at odds with Mrs. Shirley Williams, the Education Secretary, over its plan to introduce a voucher scheme under which parents may "cash" into a school of their choice—is prepared to fight the council over plans for comprehensive education.

Mrs. Williams has told the council that its proposals for the reorganisation of secondary schools are unsatisfactory and has ordered it to put forward a fresh scheme within three months.

But Mr. John Grugson, the council leader, said yesterday: "We shall be taking legal advice."

What is unsatisfactory to Mrs. Williams is certainly satisfactory to the people of Kent.

The council's plans, submitted last year, are for eight comprehensive schools in Dartford and 1888 at a cost of nearly £1m.

Mrs. Williams has told the council that this would provide more school places than are needed and would be too expensive. She has recommended a different reorganisation plan which would involve the closure of the West Boys School and the linking of schools on adjacent sites to provide three comprehensive schools.

The voucher scheme also is not popular with the National Union of Teachers.

£30,000 survey of career patterns for engineers

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

SIR MONTY FINNISTON'S committee of inquiry into the engineering profession is to spend up to £30,000 on a survey of professional engineers' career patterns.

The committee has found that a lot of data is available about engineers up to the time they leave full-time education but little information about what happens to them later.

Questionnaires will be sent to 6,000 members of the various institutions and to 3,350 people who enrolled in engineering first-degree courses which ended in 1973 and 1976. About 600 engineers who have left the profession will be asked for their views and the survey might

later include 1,300 people who work as engineers but are not called engineers.

Questions will cover qualifications, jobs done, salaries, job progression and so on.

The committee's report is due by next Easter but it will have to work hard to meet this target.

Apart from doing the questionnaire, the committee is to visit France, Germany and Sweden in the autumn. It has already spent short spells in the US, Canada and Japan.

It is only about half way through discussions with 50 or 60 organisations employing engineers.

The latest submission to the committee has come from the

Equal Opportunities Commission, which says that the U.K. has a lower proportion of women in engineering than any other developed nation—0.2 per cent of qualified engineers in Britain against 3 per cent in France, 10 per cent in Scandinavia and 30 per cent in the USSR.

The EOC says that the three biggest stumbling blocks to women in engineering appear to be: traditional attitudes of men and women that engineering is not a profession for a woman; channelling of girls into arts subjects at school, which means that fewer women having the necessary educational qualifications for science and engineering courses; and the over-rigid structure of entry to the profession.

Protest on pollution threat to rivers

By Lynton McLain, Industrial Staff

BRITAIN'S ANGLERS have protested to the National Water Council that proposals for the future quality of river water may lead to a lowering of pollution standards.

The proposals on river quality were published by the council in April in its "Review of discharge conditions." This gave a method of defining river quality objectives and monitoring discharges.

But at a meeting with the council, the National Anglers' Council said the proposals could lead to some rivers requiring a less stringent standard of pollution. The anglers also said that a time-scale should be attached to the implementation of the river quality objectives, and that no river should be allowed to become classified as polluted through a low quality objective.

The anglers' council said that the previous system of setting higher targets than would actually be achieved by sewage works and other sources of pollution, gave an opportunity for standards to be improved.

The water council said that the review of discharge conditions would not result in any fall in river quality. The new approach was intended to get the best environmental value for money. Within two years the council and water authorities would publish quality objectives for all rivers in England and Wales, with the consent conditions for discharge and the results actually achieved.

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THE BARDIC crown at the Welsh National Eisteddfod was won yesterday by Sion Eirian, a 24-year-old writer and actor in theatre and television. Mr. Eirian from the Aberdare area, won the crown with the best long poem about adolescence—his entry covered the turmoil and restlessness of young people in the 1960s. The gold and silver crown was donated by GKN and our picture shows the ceremony in Cardiff yesterday.

GEC-Fairchild plan for micro-chip link

BY JOHN LLOYD

GENERAL ELECTRIC and Fairchild, the U.S. electronics company, have agreed in most important respects to set up a jointly-owned micro-electronics company in the UK for the volume manufacture of metal oxide silicon chips for computer memories and micro-computers.

An interim statement on the progress of the talks between the two companies is expected today or tomorrow.

The GEC-Fairchild joint venture would produce similar chips to those planned for production by INMOS, the company backed by the National Enterprise Board, which is being set up in the U.S.

However, Mr. Eric Varley, the industry Secretary, said last month that any future private sector production of chips for the volume market would complement the INMOS plan, rather than compete with it.

He conceded that there would initially be some competition between the companies for experienced engineers and executives.

It is assumed that many would have to be "imported" from the U.S. or that—as with the NEB plan—the initial research and development would be done in the U.S. with production in the UK where labour costs are lower.

Besides GEC-Fairchild, two other companies, Plessey and IIT, are likely to expand their production of chips in the UK, and both may enter the volume market. IIT is well advanced on work on the 64K RAM (random access memory) chip in the U.S. and is likely to go into production within a year.

The 64K RAM is the chip being developed by INMOS.

The link between GEC and Fairchild is seen as making sense to both companies, because of their differing requirements. GEC has recently been convinced of the need to enter the advanced micro-electronics market, after some hesitation, but lacks a broad base of technical expertise.

Fairchild has had to sustain heavy losses from ventures into consumer electronics, but has made modest profits recently. It would benefit from GEC's strong financial base.

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Ruling on containers

THE HEALTH and Safety Executive has given permission to Lloyd's Register Industrial Services to approve containers for compliance with the International Convention for Safe Containers.

Lloyd's Register had previously granted container owners and users safety in handling approval certification. This was based on the requirements of the International Standards Organisation. Customs approval certification has also been provided on behalf of the British and other Governments.

Building society merger

CHESTER Building Society, one of the "big three" in the North West of England, has completed its second merger in six months. The 1,000 members of the Stockport Building Society, who own assets worth approximately £1m, joined the Chester on August 1.

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First Chicago Corporation and Subsidiaries
The First National Bank of Chicago

Consolidated Statement of Condition

	June 30 1978	June 30 1977
	(In Thousands)	
Assets		
Cash and due from banks—non-interest bearing	\$ 1,494,866	\$ 1,555,198
Due from banks—interest bearing	2,940,738	2,996,324
Securities		
United States Government and Federal Agency	1,505,481	1,330,981
States and political subdivisions	797,502	1,121,604
Other	301,473	240,446
Trading account	282,909	165,124
Federal funds sold	227,600	132,400
Securities purchased under agreements to resell	337,218	241,457
Total gross loans	\$13,170,400	\$12,115,562
Less unearned discount	28,973	24,627
Allowance for possible loan losses	120,292	124,236
Loans, net	\$13,020,135	\$11,966,699
Lease financing, net	412,930	361,690
Premises and equipment	234,828	227,081
Accrued income receivable	225,194	200,552
Customers' acceptance liability	635,709	585,939
Other real estate	134,470	94,063
Other assets	113,094	88,833
Total assets	\$22,674,147	\$21,308,391
Liabilities		
Deposits—domestic		
Demand deposits	\$ 2,784,930	\$ 2,631,020
Time deposits		
Savings passbook	\$ 975,879	\$ 1,073,285
Other savings-type	1,184,094	1,211,195
Other time	4,668,039	3,776,705
Total time deposits	\$ 6,822,012	\$ 6,061,185
Total deposits—domestic	\$ 9,612,942	\$ 8,692,205
Deposits—overseas branches and subsidiaries	7,083,307	6,805,318
Total deposits	\$16,696,249	\$15,497,523
Federal funds purchased	1,963,710	2,142,494
Securities sold under agreements to repurchase	291,137	283,232
Funds borrowed	1,087,661	908,203
Notes payable	373,826	373,485
Acceptances outstanding	635,860	587,475
Other liabilities	549,830	523,416
Total liabilities	\$21,596,273	\$20,315,808
Capital Accounts		
Preferred stock—without par value, authorized 5,000,000 shares, none issued	\$ —	\$ —
Common stock—\$5 par value	200,768	200,768
No. of shares authorized	54,000,000	54,000,000
No. of shares issued	40,153,640	40,153,640
No. of shares outstanding	39,619,423	39,619,923
Surplus	548,485	480,169
Undivided profits	334,903	319,936
Total	\$ 1,084,156	\$ 1,000,873
Less Treasury stock at cost, 534,217 shares in 1978 and 534,717 shares in 1977	8,282	8,290
Total capital	\$ 1,075,874	\$ 992,583
Total liabilities and capital	\$22,674,147	\$21,308,391

A copy of the second quarter report, which contains more complete financial information, may be obtained by writing the Press and Public Relations Division, First Chicago Corporation, Two First National Plaza, Chicago, Illinois 60670.

The First National Bank of Chicago has installations in:
NORTH AMERICA: Atlanta; Baltimore; Boston; Chicago; Cleveland; Houston; Kansas City; Los Angeles; Mexico City; New York; San Francisco; Toronto. EUROPE: Amsterdam; Antwerp; Athens; Bristol; Brussels; Cardiff; Channel Islands; Dublin; Düsseldorf; Edinburgh; Frankfurt; Geneva; Leicester; London; Madrid; Milan; Munich; Newcastle; Paris; Phoenix; Rome; Rotterdam; Stockholm; Warsaw; Zurich. MIDDLE EAST: Abu Dhabi; Beirut; Cairo; Dubai; Sharjah; Tehran. AFRICA: Lagos; Nairobi. LATIN AMERICA: Bogota; Caracas; Guayaquil; Lima; Panama City; São Paulo. CARIBBEAN: Bridgetown; Grand Cayman; Kingston; Port-au-Prince. ASIA: Hong Kong; Jakarta; Seoul; Singapore; Tokyo. PACIFIC: Honolulu; Melbourne; Sydney.
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One First National Plaza, Chicago, Illinois 60670



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UAL, Inc.

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Industria Villares S.A.
São Paulo, Brazil

Jury warned: 'This is not Ryder or Leyland on trial'

THE JURY in the "Ryder letter" case at the Old Bailey were told by the judge yesterday that they were not trying Ryder or Leyland, former chairman of the National Enterprise Board.

Judge Alan King-Hamilton, beginning his summing-up, said five-and-a-half days had been lost due to misfortunes of one sort or another and a further five days had been spent on cross-examination of Lord Ryder, Mr. Alex Park, Leyland's former chief executive, and other prosecution witnesses.

"Anyone coming into this court for the first time during any of those five days could well be forgiven for thinking that it was British Leyland who were on trial or the National Enterprise Board, or maybe the investigating committee or perhaps Lord Ryder himself."

"Whereas the truth is, as you

know and I know, that this trial is not about those matters at all, except

HOME NEWS

Tougher law soon for road tankers

BY RAY DAFTER

THE GOVERNMENT plans to introduce tough new regulations controlling the structure and maintenance of oil and chemical road tankers.

Mr. William Rodgers, Transport Secretary, said he was determined that the regulations should be enforced no later than next summer.

Proposals for the regulations are to be published in a consultation document now being prepared by the Health and Safety Executive.

Meanwhile, the Government has plans well advanced for the mandatory labelling of all oil and chemical road tankers.

At the moment, tanker operators and owners are asked to comply with the voluntary Hazchem labelling code, prepared largely by the Chemical Industries Association.

The Hazchem code would become the basis of the new mandatory regulations which were nearing completion by the Health and Safety Executive.

Mr. Rodgers said he hoped to have these recommendations on tanker labelling by the end of August.

Mandatory regulations would be enforced for all tanker operators by the end of September, when they would become known as the Hazard Load Marking regulations, based on the Hazchem code of letters and numbers, indicating groups of chemicals, as well as warning signs.

The more comprehensive regulations on oil and chemical tanker structures and maintenance would be ready by the end of this year.

That would give interested parties in the chemical and oil industries only about 10 weeks to prepare their comments after publication of the Health and Safety Executive consultative document.

The suggested measures to govern tanker structure and maintenance would be in the form of general criteria rather than specific requirements.

The measures would include mandatory requirements on driver training and instruction, particularly for loading and unloading hazardous cargoes.

Factory inspectors, who already visit chemical and oil plants, would make spot-checks on tanker drivers as they loaded and unloaded cargoes.

Action could be taken to stop loads leaving if the inspectors believed the new regulations were not being adhered to.

Low demand forces new plastics plan

BY KEVIN DONE, CHEMICALS CORRESPONDENT

THE LACK of significant growth in the plastics industry has forced the Government to re-evaluate its strategy for expanding this important sector of the petrochemicals industry.

The Department of Industry has completed its review of the McKinsey report, which set out to identify strategy options for the U.K. plastics materials industry.

In its response to the petrochemicals sector working party, which commissioned the report, the Department says that the prospects for plastics demand growth have perhaps never been more uncertain.

The working party, which includes representatives of the major chemical companies, the chemical industry trade unions and the Department, was set up as part of the Government's industrial strategy exercise.

The strategy report by McKinsey, the management consultants, has never been published. But it specified three strategic options for the expansion of the U.K. plastics materials industry, if it was to achieve a balance of trade by 1990 with other EEC countries.

The Department of Industry says that the uncertainty over growth was not reflected in the range of forecasts in the McKinsey report.

It does not accept McKinsey's calculation of the extra plant investment necessary to achieve an immediate balance of trade.

Welsh campaign freedom sought for civil servants

BY ROBIN REEVES

THE WELSH TUC is pressing the Government to allow senior civil servants to take part in the Welsh devolution referendum campaign.

In a letter to Mr. Michael Foot, Minister responsible for devolution, Mr. George Wright, the Wales TUC secretary, has asked the Government to lift the restrictions on political activities which normally apply to civil servants, particularly at senior levels.

Mr. Wright said an exception should be made for the devolution referendum in view of its constitutional importance.

It was an issue on which all people should be allowed total freedom to participate and campaign one way or the other, he declared.

It is generally assumed in Wales that the referendum would not take place until next spring—after an autumn General Election.

But a decision by Mr. Callaghan to try to soldier on could bring the referendum in early November. This would be six weeks after the Order, required by the Wales and Scotland Acts, had been laid before Parliament.

Dockland rescue plan attacked

By Our Shipping Correspondent

STRONG opposition to the Government's formula for saving the Port of London came yesterday from a dockland group representing trade unions and community associations in Newham, East London.

The Newham Docklands Forum, whose chairman, Mr. Teddy Gates, is a leading shop steward at the Royal Docks—the closure of which was rejected by the Government—said the Government's plan would result in the port bleeding to death.

The £15m the Government has agreed to put into the docks should be used for investment in new plant rather than the financing of redundancy payments, it said.

The Government's plan will, said the forum, cause many redundancies as if the Port of London Authority had been allowed to close the Royal group of docks. This would have "the same catastrophic effect on the community as would closure."

Mr. John Shepherd, who manages Clayton's butchery in Ambleside, started making Cumberland sausage 15 years ago. He began with an inherited recipe which he changed after five years' experimenting. Now he has settled on a spice and seasoning mix—secret, needless to say—which suits his customers so well that during the height of the tourist season he sells 500 lb a week.

Tourists boost his sales considerably. Trippers motoring off with 20 lb at a time are commonplace.

According to the Institute of Meat the basic recipe for Cumberland sausage is 10 parts pork to one of rusk. But the butchers of Cumbria are unimpressed by hard and fast rules laid down by committees.

In any case, "they don't know how to make sausage in the South," says Mr. Shepherd.

But there are others who believe the true sausage is now defunct. Lost for ever.

Melvyn Bragg, chronicler of Wigan in his book *Speak for England*, reported Willie Johnson, a butcher's son, "Well, I'm perfectly convinced you can't buy good Cumberland sausage today. It isn't there because the type of pig you would require to make it isn't there today."

On present-day pigs: "They haven't a pickle of fat on them and you can't make a good Cumberland sausage without fat. And that is correct."

It is agreed, however, that the meat content must be high—up to 88 per cent. The meat must be pork and sage, coriander, nutmeg and mace appear in most traditional recipes for the critical seasoning.

But, as is chopped into coarse fragments—rather than pulped and emulsified like so many factory-made sausages—and put into hog casings. Natural skins are considered essential; hard-line traditionalists will have collagen casing concocted from tannery by-products.

It is also important for the sausage not to be twisted into links. Traditionally it is sold

CHRISTOPHER PARKES tracks down the Cumberland Sausage—true aristocrat of Britain's bangers, whose fame is spreading

A robust speciality, wholesome and pure



WORKING BRITAIN



Mr. John Shepherd, who has perfected the Cumberland sausage, swears: "They don't know how to make sausages in the South."

Fortifying

Purists may shudder at the thought of frozen Cumberland sausage. They will almost certainly be disappointed.

Harrods imports its stock from Bodidris in North Wales. With no *appellation contrôlée* laws to protect them, the butchers of Cumberland are powerless to protest.

Like all sausages, the Cumberland variety represents one of the earliest examples of a convenience food. Lakeland slate diggers, trekking through the wet to the quarries, are reputed to have found it especially fortifying.

Mrs. Brown Nixon (three knives and forks in the Michelin Guide and a sweet and sour write-up in Christopher Driver's *Good Food Guide*), who presides over the Rothay Manor Hotel, Ambleside, and rules with an iron hand over its kitchens, serves Cumberland sausage to her guests every morning.

It is fried or grilled for breakfast, and the surplus is served cold at the luncheon buffet table—provided it survives the mid-morning nibblings of Mrs. Nixon's team of women cooks.

But for all its wholesome purity, the sausage is altogether too robust for her dinner table.

Rothay Manor guests totter from breakfast to the misty fells

fortified by her "Cumberland platter." Served after fruit juices and cereals, this comprises bacon, Cumberland sausage, tomato, fried egg on fried bread, apple rings (the only accompaniment she recommends for the sausage), black pudding and mushrooms.

Mrs. Nixon insists the only secret attached to the successful manufacture of Cumberland sausage is that there isn't a secret.

"Everyone says he has a mystery ingredient except the best makers. It's just salt and pepper with some nutmeg or cinnamon perhaps," she said.

The recipe for Cumberland sausage recommended by the Institute of Meat is as follows. Commercial quantities can be reduced proportionately to provide a more modest family-sized serving.

INGREDIENTS

7 lb lean pork
3 lb belly pork
1 lb coarse rusk (do-it-yourselfers can use breadcrumbs)
14 plants cold water
2 oz seasoning
1 oz polyphosphate

SEASONING

1 lb fine salt
3 oz ground white pepper
1 oz ground nutmeg
1 oz ground mace
1 oz ground coriander

According to Antony and Araminta Hippisley Cox, authors of *The Book of the Sausage*, the correct seasoning consists of three-quarters fine salt, a quarter ground white pepper, with a light sprinkling of cayenne and nutmeg.

Speak for England, Melvyn Bragg, Coronet Books, £1.50. *The Book of the Sausage*, Antony and Araminta Hippisley Cox, Pan Books, £1.

Welsh Council wants jobs subsidy to be extended

BY ROBIN REEVES IN CARDIFF

THE WELSH COUNCIL yesterday called for the Temporary Employment Subsidy, or its equivalent, to be extended indefinitely in order to strengthen UK regional development policy.

In a memorandum on the Welsh economy to Mr. John Morris, Secretary of State for Wales, the council states that active regional policies can be successful, but that doubt now exists as to whether regional policy incentives are sufficient for the programme of effort required to tackle Wales's economic problems.

The council is particularly concerned at Wales's heavy dependence on the steel industry. Because the steel industry's problems appear to be long-term, Wales will probably suffer comparatively more from unemployment even if there is an improvement in the UK economy generally, the council says.

It urges the Government to measure the level of economic activity and the strength of regional policies against a target of providing some 150,000 new jobs in Wales over the next ten years.

Employment prospects in Wales would also be made more difficult due to an increase in the

reasons and the fact that rapid advances in industrial technology often means investment is now capital rather than labour, intensive.

The council emphasises that the employment subsidy has been put to good use across a wide spectrum of industries in Wales. Industries which have benefited include agriculture, forestry and fishing, mining and quarrying, electrical and engineering, and vehicle manufacture.

In each case, approved applications have exceeded 12 per cent of the figure for the UK as a whole.

Direct-labour building 'wastes council money,' says Aims

EXPANSION of local authority direct-labour departments would mean higher rates and taxes as well as increased building costs, Aims, the free enterprise organisation, claimed yesterday.

A study called "Direct Labour: How Councils Waste Our Money," written by Malcolm Hoppe and published by Aims, says that existing council building departments have been the cause of enormous waste of construction resources.

Their wastefulness, Aims says, has cost the country millions of pounds which could have been spent on more houses, schools, hospitals and roads.

It predicts that expansion of council building departments would be only a prelude to much wider public ownership in the construction industry.

"Eventually, there could be total nationalisation," says Aims. "Some politicians and trade

unionists have advocated nationalisation of building over the years, and some still do so today."

Mr. Hoppe said that in Glasgow, the long history of the council building department's record of failure culminated in a 1977 decision to abandon a large housing project after more than £2m had been spent. To complete the scheme by direct labour, it would, it was estimated, cost another £5m.

He said that slow progress on another eight schemes was expected to cost the council an extra £2.3m, with the department's losses for a number of years being claimed to be at least £3m a year.

In 1976, a comparison of the costs of similar houses built by the department and by a contractor on neighbouring sites showed that the direct labour houses were costing about 80 per cent more.

Mr. Hoppe says direct labour

schemes have incurred losses for the Greater London Council of £1.5m on 36 projects. However, GLC trade union representatives have contested this figure.

Construction unions have also claimed that the audited accounts of the GLC show that the use of direct labour saved the council more than £4m.

Mr. Bob Bean, Labour MP for Rochester and Chatham, said that Aims had failed to give comparative figures for to losses incurred by private contractors.

He said that during the period 1973-76, with inflation running at more than 25 per cent, building contracts held by both private and direct labour departments went into the red.

He said that the GLC had paid more than £3m to the private sector in such circumstances. In some cases, the authority's direct labour department took over contracts which private firms had been unable to fulfil.

Maze men planning human rights case

By Our Belfast Correspondent

FOUR MEN serving sentences in the Maze Prison in Ulster are seeking to take the British Government to the European Commission of Human Rights in Strasbourg, alleging inhuman and degrading treatment.

The prisoners are among a number of Republicans in the Maze who have been protesting about the withdrawal of "political status" in Ulster.

The protesters have refused to wear prison clothing or to do any work. More recently, they have refused to wash themselves or "slop out" their toilet buckets.

The prison authorities have withdrawn the men's "privileges" because of the protests. They are allowed no exercise and no reading material and their visits are restricted.

Submissions

Lawyers for the four men are lodging lengthy legal submissions with the European Commission this week. They will allege that the prison rules contravene nine articles of the European Convention of Human Rights.

Central to the argument will be their claim that the authorities have been withholding as privileges things which are actually rights.

The case could be similar in a number of respects to the one brought against the British Government by the Irish Government in 1971. This led to Britain's being found guilty of inhuman and degrading treatment of terrorist suspects held in custody in Ulster.

If the European Commission regards this latest case as worthy of investigation, a "rapporteur" will be appointed to examine the points raised. The British Government may then be asked to reply to the allegations.

Road schemes

PLANS TO spend more than £14m on roads and transport in the next five years have been submitted by Derbyshire County Council for Government approval. At the top of the list is the £1m A610 Ely east-west by-pass. The council hopes to start work on at least one major scheme each year.

Bleak prospects for fabric companies

THE FINDINGS of a survey of UK narrow fabric manufacturers and distributors suggest that the outlook for the industry over the next few years is bleak.

The survey, which was carried out by Inter Company Comparisons, covered 115 companies. Over half of them—56 per cent—achieved higher profits during the last two years for which

accounts are available and 59 per cent of them increased turnover.

It was found that nearly 80 per cent had added to their liabilities.

Examination of the turnover figures in this survey, and the profits which come out of them, show a surprising lack of the dramatic. Inter Company Comparisons says, "This alone is a

pointer to a dangerously static industrial sector which is thus exposed to the imposed effects of a total economy."

"In today's world which demands profits and expansion in the face of inflation, a static state cannot last for too long."

It adds that some of the findings of the survey "bode gloom for companies in the industry."

Road schemes to cost £14m

PLANS TO spend more than £14m on roads and transport in the next five years have been submitted by Derbyshire County Council for Government approval. At the top of the list is the £1m A610 Ely east-west by-pass. The council hopes to start work on at least one major scheme each year.

Next year's current asset.

With no disrespect to the 1978 Financial Times diary, the 1979 Financial Times diary is rather superior.

The inside pages have been completely redesigned by James Shurmer, who has produced work for the National Gallery.

The comprehensive business information section is now even more comprehensive.

As is the French and German business vocabulary. We've incorporated a detachable address booklet, to save people having to copy out hundreds of addresses and telephone numbers at the end of each year.

There's also an entire section devoted to world travel, complemented by a 48-page colour atlas.

In addition to the desk diary, there's a slim pocket diary and wallet, and an address book.

Which all means that without the FT Diary, 1979 could turn out to be quite a liability.

The person to contact is Geoffrey Phillips, The Diary

Manager, Business Publishing Division, Financial Times Limited, Minster House, Arthur Street, London EC4R 9AX. Telephone: 01-625 1211.

To: Geoffrey Phillips, The Diary Manager, Business Publishing Division, Financial Times Limited, Minster House, Arthur St. London EC4R 9AX. Tel: 01-625 1211. Please send me your brochure and order form.

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FINANCIAL TIMES DIARY

LABOUR NEWS

Clyde naval bases may come to standstill today

BY PHILIP BASSETT, LABOUR STAFF

NAVAL BASES on the Clyde, which had to put to sea to relieve the dockyard workers have been blacking the Polaris submarine, HMS Resolution, over a national pay claim, could come to a standstill today if the men involved refuse to lift the blacking and the message sent carries out its threat to send them home.

Shop stewards from the bases will meet this morning to decide on a recommendation to be put to mass meetings of the 2,500 dockyard workers at the three Clyde bases at Faslane, Arbroath and Comport.

Originally, the management threatened to send the men blacking the Resolution home yesterday but, after talks, a deadline of midday today was set.

Union officials believe that any decision to send home workers would lead to a mass walk-out. The submarine could then be prepared for sea only by the Government sending in the Navy, Ministers, tomorrow to discuss as it did with HMS Revenge, union hopes of greater flexibility

Deputation

The management initiative to try and end the blacking was made after talks between union representatives of 123,000 industrial civil servants and the Civil Service Department failed to reach a solution to the dispute, which is over a pay settlement due under Stage Three of the Government's incomes policy.

Mr. Peter Adams, chairman of the union side of the joint co-ordinating committee, led the deputation to meet Lord Peart, Lord Privy Seal, and other senior Government ministers tomorrow to discuss as it did with HMS Revenge, union hopes of greater flexibility

in the application of the 10 per cent policy.

In view of this, the official side has withdrawn its third 10 per cent offer which would have raised the basic pay of lowest grade workers from £32.50 to £44.69, increased craft and supervisory allowances by 50 per cent and given additional increases to the lower paid of £1.50 per week.

Poor support from dockyard workers at Rosyth, where Britain's two other Polaris submarines, the Repulse and the Renown, are also blacked in the same dispute, has led union leaders to call off a mass protest march in Edinburgh on Saturday. Car maintenance workers and canteen staff employed by the Metropolitan Police held a one-day strike yesterday in support of the claim. The Civil Service staff, which represents the 2,000 staff, said further action would be taken together with other industrial civil servants, over the claim.

Manchester Airport firemen to stage lightning strikes

By Philip Bassett, Labour Staff

Firemen at Manchester Airport will hold a series of lightning strikes over morning levels from 8 a.m. this morning following the breakdown of talks to avert the stoppages.

The airport, which handles some 3m passengers annually, will close during the strikes. This is likely to disrupt passenger services to Europe and the U.S.

The 74 firemen, members of the Transport and General Workers' Union, were pressing for a further five men on each of the four watches during the day. The claim has now been reduced to two men, though an airport spokesman said yesterday that two men per watch had been offered.

The firemen, who as well as providing emergency fire cover at the airport also deal with first aid, the loading of disabled passengers, cleaning up fuel spillages and with bird-scaring and fires in the airport buildings, have been working to rule for a week in support of their manning claim.

They have been refusing to clear spillages or to scare birds, which management feel could be potentially dangerous to pilots flying into and out of the airport.

Talks to avert the threatened lightning stoppages were held earlier this week, but no agreement has been reached. No further talks have been set up.

Thirty minutes notice will be given of the timing or duration of the strikes. If the stoppages lasted for only one hour each time, though, it would be reduced to a further 30 minutes request for official consultation of the executive on the Leyland components factory.

Engineering workers ban delegations to Soviet Union

BY NICK GARNETT, LABOUR STAFF

THE AMALGAMATED UNION of Engineering Workers yesterday changed between the AUEW executive committee and the USSR.

The original proposal, put by Mr. Gavin Laird, the Scottish executive member, would have applied the ban to all Eastern bloc countries but the executive agreed to restrict it to the Soviet Union. The vote was 5-2, with Mr. Reg Birch, a Maoist, and Mr. Gerry Russell opposing.

The ban applies solely to the dominant engineering section of the AUEW. It is up to the other three sections in the union, including TASS, its Communist-led white collar section to make their own decisions on foreign visits.

The resolution said the executive committee "records its revulsion at the trials and sentences of Soviet human rights violators. These citizens have been sentenced to lengthy periods in prison for simply trying to establish those things which the Western democratic rights in countries with Right-wing and Left-wing regimes."

A motion at last year's TUC Congress which argued that trade and the continuing repression of human rights would be more credible if Union the AUEW engineering TUC support for a boycott of section as a mark of our protest South Africa were accompanied at this conduct by the Soviet by similar action directed against authorities has decided that no Eastern bloc countries was more delegations will be ex-defeated.

BL toolmakers to meet

A MEETING of delegates representing toolmakers at BL Cars' plants is being held at headquarters with Mr. Terry called next week to discuss the union's constitution did not demands for improved differentials. This is likely to be followed by a meeting of all toolmakers shop stewards.

A delegation of toolmakers, led by Mr. Roy Fraser, chairman of the executive of the Amalgamated Union of Engineering Workers, is expected to meet BL management tomorrow to discuss the union's proposal for a strike by 32 in request for official consultation of the executive on the Leyland components factory.

The Bethnal Green signalmen have been taking 20-minute "meal breaks" during peak commuting periods. British Rail said last night that it could not forecast what problems commuters would face today.

Rail commuter service hit

BY OUR LABOUR STAFF

THOUSANDS of commuters on British Rail's Eastern Region again had their journeys disrupted yesterday because of industrial action by signalmen at Bethnal Green, east London.

North-east London and East Anglian services into Liverpool Street were affected and for 20 minutes yesterday morning no trains left or entered the station.

About 50 trains were halted between 9.05 am and 9.25 am with delays affecting later services. Normally between 9 am and 9.30 am 10,000 commuters travel into Liverpool Street.

Banking figures

(as table 9 in Bank of England Quarterly Bulletin)

ELIGIBLE LIABILITIES, RESERVE ASSETS, RESERVE RATIOS, AND SPECIAL DEPOSITS

1-Banks

	July 19, 1975	Change on month
Eligible liabilities		
U.K. banks		
London clearing banks	25,991	+687
Scottish clearing banks	2,851	+102
Northern Ireland banks	866	+11
Accepting houses	1,710	-102
Other	6,236	-9

Overseas banks		
American banks	3,953	-41
Japanese banks	2,791	+45
Other overseas banks	212	-25
Consortium banks	45,027	+668

Reserve assets		
U.K. banks		
London clearing banks	3,317	-86
Scottish clearing banks	277	+15
Northern Ireland banks	126	+5
Accepting houses	238	-18
Other	845	-55

Overseas banks		
American banks	557	+7
Japanese banks	43	-3
Other overseas banks	423	+10
Consortium banks	43	-4
Total reserve assets	6,010	-120

Constitution of total reserve assets		
Balance with Bank of England	607	+214
Money at call:		
Discount market	2,982	-308
Other	240	-10
Tax reserve certificates	143	-25
U.K. Northern Ireland Treasury Bills	800	-25
Other bills:		
Local authority	129	-1
Commercial	797	+9
British Government stocks with one year or less to final maturity	431	+1
Other		
Total reserve assets	6,010	-120

Ratios %		
U.K. banks		
London clearing banks	12.9	-0.7
Scottish clearing banks	13.2	+0.3
Northern Ireland banks	14.5	-0.2
Accepting houses	13.3	-0.8
Other		

Overseas banks		
American banks	14.1	+0.3
Japanese banks	14.8	-0.3
Other overseas banks	15.5	+0.1
Consortium banks	20.3	+0.2
Combined ratio	13.3	-0.5

N.B.—Government stock holdings with more than one year but less than 18 months to final maturity amounted to	570	+6
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2—Finance houses		
Eligible liabilities	247	-8
Reserve assets	35.5	-1.8
Ratio (%)	10.2	-0.3

Special deposits at July 19 were £365m (up £214m) for banks and £7m (up £2m) for finance houses. * Interest-bearing eligible liabilities were £30,173m (up £441m).

Financial aid granted for study of ways to save Singer jobs

BY OUR GLASGOW CORRESPONDENT

THE SCOTTISH Development Agency is to finance about two-thirds of the cost of a £75,000 feasibility study commissioned by shop stewards at Singer's Clydebank Sewing Machine Factory to find an alternative to the company's proposals for 3,000 redundancies.

The Government has asked the agency to meet all costs of the survey being carried out by FA. Management Committee over the £25,000 which they have told the stewards, must be found by the workforce themselves.

Mr. John McFadyen, stewards' convenor at Clydebank, said he was clearly safeguarding itself would be asking a last meeting against a flood of similar requests from other workforces faced with redundancies.

The Singer Company has given the Clydebank workers until October to find a viable alternative to its proposals to end production of industrial sewing machines with a net loss over four years of about 3,000 jobs.

If the stewards cannot find an alternative to the plant, once the company's largest with 21,000 employees, would be reduced to an assembly operation for semi-electronic domestic machines, employing under 2,000.

FA has estimated its basic fee for a 10-week intensive study of Singer's manufacturing operations at £50,000, plus expenses.

Requests from other workforces faced with redundancies.

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Dock engineers' talks deadlock

BY OUR LABOUR STAFF

TALKS BETWEEN unions and employers on a partly dispute involving 3,000 dock maintenance engineers at five groups of docks around the country failed to reach a solution yesterday.

Representatives of five unions—the National Union of Railworkers, the Amalgamated Union of Engineering Workers, the Electrical and Plumbing Trades Union, the Transport and General Workers Union, and the Union of Construction, Allied Trades and Technicians—met officials from the British Transport Docks Board.

The maintenance engineers have been claiming parity with the wages of ships which have and Queen Elizabeth docks.

been diverted to other berths because of the maintenance engineers' strike.

Maintenance engineers on the Humber have been at the centre of the dispute, though action has also been taken at Swansea, Newport, Southampton and King's Lynn.

Dock gate operators at Hull who are also in dispute over a partly claim with dockers are refusing to open the gates to cargo ships after supervisory staff handled the gates when they jammed during the operators' three-day strike.

London Clearing Banks' balances as at July 19, 1978

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits ahead of the more comprehensive banking and money supply figures published later by the Bank of England. Tables 1, 2 and 3 are prepared by the London Clearing Banks. Tables 1 and 2 cover the balance of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the banking sector. Table 3 covers the parent banks only. In this, it is comparable with the figures produced by the Bank of England, which show the reserve positions of all the banking sectors subject to credit control. Minor differences here arise from the exclusion from the clearing bank figures of Coutts, a subsidiary of National Westminster but a clearing bank in its own right.

TABLE 1. AGGREGATE BALANCES	Total outstanding	Change on month	Total outstanding	Change on month
	£m.	£m.	£m.	£m.
LIABILITIES				
Sterling deposits:				
U.K. banking sector	4,324	+590		
U.K. private sector	27,041	+373		
U.K. public sector	16,620	+28		
Overseas residents	2,274	+47		
Certificates of deposit	2,614	-25		
of which: Sight	37,256	+588		
Time (inc. CDs)	21,735	+586		
Foreign currency deposits:				
U.K. banking sector	3,984	+16		
Other U.K. residents	1,116	-28		
Overseas residents	10,725	-20		
Certificates of deposit	1,140	-421		
Total deposits	54,321	+588		
Other liabilities	5,322	+586		
TOTAL LIABILITIES	59,643	+588		

ASSETS	Total outstanding	Change on month	Total outstanding	Change on month
	£m.	£m.	£m.	£m.
Cash and balances with Bank of England	1,473	+330		
Market loans:				
U.K. banks and discount market	1,795	-372		
U.K. banks	5,327	+299		
Certificates of deposit	882	+43		
Local authorities	1,146	-22		
Other	327	-113		

LIABILITIES	Total outstanding	Change on month	Total outstanding	Change on month
	£m.	£m.	£m.	£m.
Bills:				
Treasury bills	489	+20		
Other bills	590	-44		
Special deposits with Bank of England	1,209	-24		
Investments:				
British Government stocks	2,265	-13		
Other	1,427	-9		
Advances:				
U.K. private sector	19,619	+793		
U.K. public sector	286	+10		
Overseas residents	3,197	-10		
Other sterling assets*	22,102	+793		
Foreign currencies	5,633	-162		
Market loans:				
U.K. banks and discount market	2,475	-289		
U.K. banks	2,286	-111		
Certificates of deposit	7,124	-62		
Other	10,886	-363		
Advances:				
U.K. private sector	2,168	-21		
U.K. public sector	1,081	+7		
Overseas residents	3,134	-36		
Other foreign currency assets*	871	-19		
TOTAL ASSETS	53,650	+586		

Acceptances	284	+21		
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* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES	TOTAL	Change on month	BARCLAYS	Change on month	LOYDS	Change on month	MIDLAND	Change on month	NATIONAL WESTMINSTER	Change on month	WILLIAMS & GILLYN'S	Change on month
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
LIABILITIES												
Total deposits	54,321	+582	14,385	+371	10,007	+234	11,291	+42	16,372	+125	1,768	-10
ASSETS												
Cash and balances with Bank of England	1,473	+330	445	+88	310	+100	295	+52	356	+83	36	+8
Market loans:												
U.K. banks and discount market	10,796	-362	2,681	-142	2,390	-87	1,819	-25	3,674	-117	342	+9
U.K. banks	9,726	-113	2,672	-2	2,658	-61	1,434	+22	2,783	-174	279	-29
Other	1,070	-25	285	+11	117	+16	335	-79	386	+40	48	-
Bills:												
Special deposits with Bank of England	1,209	-24	178	+46	82	+23	121	+33	171	+44	18	+5
Investments:												
British Government stocks	2,265	-13	502	-3	436	-1	397	+4	300	-18	120	-
Advances:												
U.K. private sector	19,619	+793	8,572	+124	4,375	+68	6,353	+308	8,654	+346	998	+11

TABLE 3. CREDIT CONTROL INFORMATION (Parent banks only)	TOTAL	Change on month	BARCLAYS	Change on month	LOYDS	Change on month	MIDLAND	Change on month	NATIONAL WESTMINSTER	Change on month	WILLIAMS & GILLYN'S	Change on month
	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.	£m.
Eligible liabilities	23,840	+685	7,054	+274	3,902	+104	6,211	+52	6,897	+227	835	+19
Reserve assets	3,325	-85	1,028	-6	603	-82	890	-22	872	-24	117	+7
Reserve ratio (%)	12.9	-0.7	12.9	-0.4	12.9	-1.7	13.0	-0.5	12.6	-0.9	13.3	+0.6

BARLOW RAND LIMITED

("BARLOW RAND")

(Incorporated in the Republic of South Africa)

ACQUISITION OF A CONTROLLING INTEREST IN REED NAMPAL LIMITED ("REEDPAK")

Standard Merchant Bank Limited announces that Barlow Rand has concluded an agreement with Reed International Limited ("Reed") of the United Kingdom in terms of which Barlow Rand and its nominees have acquired, with effect from 1 July 1978, all the 15,020,545 ordinary shares (being 62.6% of the issued ordinary shares) in Reedpak owned by Reed. The consideration is 430 cents per share making a total of R64,588,344 which will be settled by raising loans overseas in certain foreign currencies to meet obligations of the Reed Group and the payment in cash in the currency of the Republic of South Africa of approximately R25 million.

This agreement is conditional upon the relevant United Kingdom consents and clearances being obtained.

Merger of Reedpak and Barlow Packaging (Pty) Limited "Barpak" and implications for Reedpak Shareholders

To rationalise the paper and packaging interests of Barlow Rand it is proposed that Barpak be merged with Reedpak with effect from 1 July 1978 on the basis that Barlow Rand and/or its nominees will receive additional new ordinary shares in Reedpak. The terms of this merger are being finalised and will be advised on as regards Reedpak, by an independent merchant bank. A press announcement giving details of this transaction will be published before or on Friday 18 August 1978.

The directors of Barlow Rand believe that significant rationalisation benefits will flow from the merger of Reedpak and Barpak and that a major paper and packaging group in South Africa will be created which will be strong financially and will have a significant market share.

In terms of the agreement with Reed, Reed and the other shareholders (i.e. other than Barlow Rand and its nominees) of Reedpak will receive the interim dividend of 16 cents per share declared on 17 July 1978 in respect of the 6 months ended 30 June 1978 and payable to shareholders registered on 1 September 1978.

It is proposed to change the financial year end of Reedpak from 31 December to 30 September to coincide with the Barlow Rand financial year end. A special final dividend in respect of the financial period which will now end on 30 September 1978 will be paid to Reedpak shareholders. Thereafter Reedpak will declare interim and final dividends in May and November of each year.

Stand-by Offer to Outside Shareholders of Reedpak

In view of the price of Reedpak shares on The Johannesburg Stock Exchange ("the JSE") being 520 cents when the Reedpak shares were suspended as compared to the price of 430 cents per share being paid to Reed, the JSE has agreed that a stand-by offer may be made to the outside shareholders of Reedpak. The procedure for this offer will be that from Monday 21 August 1978 to Friday 8 September 1978 (both days inclusive) all ordinary shares which shareholders of Reedpak may wish to sell at a net price of 430 cents per share will be purchased on the JSE by Barlow Rand and/or its nominees.

Those shareholders wishing to do so should instruct their brokers to effect the sale thereof to Fergusson Bros., Mail, Stewarts & Company Incorporated (members of the JSE) acting as agents for Barlow Rand and/or its nominees. Settlement will be according to normal JSE procedure.

The merged Reedpak/Barpak group will have a market capitalisation, at current prices, in excess of R130 million. Barlow Rand considers that a shareholding of not more than approximately 55% in the merged Reedpak/Barpak group is appropriate in relation to the existing Barlow Rand spread of investments. Accordingly an agreement was concluded with South African Mutual Life Assurance Society on 14 July 1978 (when the price of the Reedpak ordinary shares was 420 cents) in terms of which South African Mutual Life Assurance Society agreed to purchase at the same price at which Barlow Rand could

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHÖETERS

PRINTING

Electronic colour process advances

PERMITTING, for the first time, individual input of colour pages for colour correction and storage—electronically—the Helio Data Processing System (HDP) could bring about major changes of reproduction methods in graphics communications.

An electronic sorting process allows users to engrave all pages of one printing colour in the correct position on the cylinder, again by electronic means, using Helio-Klischograph techniques.

First mooted in the 1960s, system definition took until the autumn of 1976 to prepare and, since then, the Rudolf Hell organisation has been working on the electronics and data processing complexities involved.

Recently, a first demonstration of a basic system took place before potential users from Europe and the U.S. guests of the European Rotogravure Association.

Basic equipment consists of an

HDP scanner, two magnetic disc stores, the electronic cylinder engraver and the control processor. The latter, a Sicom 10, acts as a dialogue unit to feed in instructions and mode of operation in the form of hard copy. A display screen is used to check each move. Most of this input data would be needed only once and would thus be held on floppy disc for reference.

For the scanning process, the floppy disc provides operating data to the processor and specific operating instructions are keyed in. The HDP scanner provides simultaneous scanning in all four colours.

Complete scanned input data is stored on the disc. In the subsequent sorting, the operator provides instructions for imposition from a layout chart. Many modes of data handling are possible.

The next stage in the process is to transfer all the amended information to the second disc in correct sequence and colour sequence. The engraving programme can then begin. One cylinder each is engraved per colour, the engraving being speeded up by the printing specifications.

Hell development work means that gravure printing will have the ability to save time and materials and store colour separations in the computer, or maintain a colour library and call out pictures for colour engraving when they so desire.

Further information from the UK agents, Pershke Price Service Organisation, Dover House, 141 Morden Road, Mitcham, Surrey CR4 4XB. 01 648 7090.

Halves production time in colour work

FROM AGFA-GEVAERT comes a method of halving the time taken to produce colour separations. Transferlith is aimed at the small printer and will work either from transparencies or from flat copy.

Quality is excellent at moderate cost, the company asserts, adding that larger users could employ the system solely for direct screen separation work, keeping an existing litho processor exclusively for orthochromatic jobs. The processor has roller guides to lead the negative and positive simultaneously, but separately into the pre-development bath. A second set presses the two sheets together as they leave.

COMPUTING Solicitors' accounts automated

PRECEDENT, a computer system for solicitors is being offered by Altergo Computers for client accounting, time recording, word processing and automated production of legal documents.

Precedent 1 is tailored for the smaller practice with up to three thousand "Matters" and is provided on Altergo's micro computer, the Formula 1. Precedent 2 is able to handle 20,000 matters or more. This system is based on the Avenger mini computer.

Positives will dry off almost immediately and a screen positive is ready in 1½ minutes after exposure.

Special negative and positive films as well as a positive paper have been developed for use with Transferlith, plus a developer. No fixing bath is required.

The processor is equipped with pump, heater and thermostat to provide constant level and temperature and the simplicity of operation of the whole concept should provide users with very good quality results.

Information on the process from Agfa-Gevaert, graphic arts department, 27, Great West Road, Brentford, Middx. 01-560 2131.

Both systems provide comprehensive client matter accounting which can be tailored to individual needs. It gives, for example, draft billing; instant enquiry to matter details; accounts posting; nominal ledger. Full recording for both chargeable and non-chargeable time is possible to ensure that accurate charges are calculated for each matter. The fee earner fills out a normal time sheet and details from this are keyed into the system which will then calculate charges from the fee-earners' standard and priority rates.

Precedent 2 system has the additional facility to enable "mark sense" cards to be read. With this facility fee-earners can simply "tick the box" on a time card. For the larger practice with many time transactions this is a cost-effective and simple method of time recording.

Laser reads the data

SET UP in the UK to market a fast, economical OCR system, Transworld Optical Business Machines is a subsidiary of OBM Inc., an eight-year-old Florida company.

Laser OCR-ONE is an optical character reader for the preparation of clean data entry information from source documents for input to computer systems. In addition to a laser character scanner it has easy to operate editing facilities.

The British company, as well as handling direct sales in the UK, is responsible for marketing throughout Europe, with the exception of France. To this end, arrangements have been made for distribution in Italy, Germany and Czechoslovakia and distributors are being sought in all other areas. With the sales previously made by distributors, the total number of installations in Europe is now over 30.

Transworld, 84, Lower Mortlake Road, Richmond, 01-940 9666.

Drive with many speeds

CALCOMP's new floppy disc drive sub-system is based on a controller from Dynalogue Corporation of Canada, with whom Calcomp has recently signed a marketing agreement. The sub-system can accommodate single or dual floppy disc drives and provides an on-line storage capacity of up to 1.2m characters.

Unattended operation under

control of a remote computer is possible, the data transmission rate being switch-selectable from 110/19200 Baud.

Calcomp has recently begun using the new subsystem to provide mass storage in its own line of computer graphics units and the signing of the marketing agreement with Dynalogue, which last month took delivery of Calcomp's 60,000th floppy disc drive for incorporation into small business systems, was seen as a natural step for both companies.

Calcomp, Cory House, The Ring, Bracknell, Berks. RG12 1ER. Bracknell 50211.

Preparation of data

FROM Burroughs Machines comes the announcement of a low cost key-entry equipment for the preparation and validation of data destined for its B80, B900 and B1800 small scale computer systems and any other of the company's processors that use tape cassettes as input.

Called AE 111, it consists of a standard numeric ten-key pad, specialised data entry function keys, a 16 character display and a 16 character audit printer. A free-standing cassette drive provides program input and records accumulated data for subsequent computer processing.

Keyboard, printer and cassette are buffered, thus increasing productivity by allowing continuous data entry, printing and recording. Program prompting through the display contributes to operator accuracy and ease of use.

Flexible programming techniques provide a user with a wide range of cassette record formats and data verification methods. User programs are created from the keyboard and stored in a library cassette, for later selection and reading into the AE 111 memory.

More from the company at Bath Road, Hounslow, Middlesex (759 6522).

CONFERENCES Problems of word processing

A TWO-DAY conference on word processing, with particular reference to the human problems involved is being organised by the Information Studies and will be held on October 30 and 31 at the Regent Centre Hotel, London.

The meeting is aimed at executives and staff who are responsible, or might become responsible, for word processing installations and will deal with the changes in working practice in information handling offices.

Speakers will include the manager of word processing at the British Standards Institution, a former head of typing at the Automobile Association, the director of research at the Association of Scientific, Technical and Managerial Staffs and a lecturer in ergonomics at Loughborough University.

The organisers will conduct a sample survey of registrants to discover what aspects are deemed most important taking place in information handling offices.

More from the organisers at Lower Road, Chorleywood, Rickmansworth, Hertfordshire (09278 4244).

HANDLING

Pumps the slurry

APPLICABLE in industries where pollutants have to be handled to conform with anti-pollution laws or in mining and chemical plants where heavy duty pumps are not warranted, series of slurry pumps from Simon-Warman can deal with flows from 30 to 1,200 litres/min.

The range has been introduced for light to medium duties where the company's extremely robust Series A units would be unnecessarily high-powered.

Wearing parts are available in hard abrasion or corrosion resistant metals, or elastomers, to suit the application. Shaft seals are standard or centrifugal to suit the conditions.

More from the company at Todmorden, Lancs. (Todmorden 4251).

TEXTILES

Less dust in the fibres

ONE OF the biggest problems confronting yarn spinners that use the rotor spinning or "open-end" techniques is dust or trash in the fibres. This has to be removed before it gets into the high speed rotors and so diminishes quality and, in extreme instances, actually causes yarn breaks.

Currently, with synthetic fibres of various kinds, the open-end spinners are demanding that the level of such dust should not exceed 20 parts per million (ppm) and now a number of fibre producers are able to offer staple fibres of various kinds that meet these requirements.

One of the oldest man-made fibres is viscose rayon and this is produced both as filament and staple. This is being spun alone and in blends with other fibres on open-end machines.

Recently the French factory of Courtaulds (Viscose Division, Rowell Tower, Piccadilly, Manchester M60 3AP; tel. 061-238 7091) has found that by using a specially designed extrusion spinneret it is possible to produce viscose rayon staple in which the trash level is currently between 5 and 10 ppm. This has

ELECTRONICS Logic-relay controller

ACCORDING TO the makers, Taylor Electronics and Control, the results that can be achieved by its newly introduced FFC 16 controller are comparable with those of systems based on micro-processors.

The unit costs £150 and uses a mixture of solid state logic and conventional relays; the former give speed and reliability, while the latter mean that input and output control devices can be directly connected without the need for extra, and possibly costly, interface equipment.

Programming in the field can be performed by an engineer who needs only alter a few wire links and who does not require knowledge beyond the control problems of his own industry.

FFC 16 has four input and four output terminals. The former can be connected to AC control signals from external plant contacts, while the output terminals have heavy-duty relay changeover contacts for direct connection to plant control gear such as starters, solenoids, valves, motors or pumps.

In advanced applications FFC 16 units can be interconnected to perform more complex control functions and can also be used in other control systems.

Logic circuits associated with the inputs and outputs are fully protected by opto-coupled and relay isolation. The state of inputs, outputs and power supply is shown on diode lamps.

Housed in a rugged steel case, the unit measures 200 X 171.75mm.

More from the company at 23, Hatfield Road, Wimbledon, SW19 3TD (01-477 7294).

COMPONENTS Senses the temperature

COMPLEMENTING its existing range of heating products designed for plastics processing, Cole Equipment has introduced a range of thermocouples.

The devices are designed for sensing the temperature in the barrels of moulding machines and are available either in iron/constantan or nickel/chrome versions with two metres of screened and armoured cable. Operating temperatures are up to 450 deg C.

Machines that can be fitted include Bipel, Engel, Kraus Mafel, Negri Bossi, Shubbe and Windsor, although special units for moulds and dies can be made to customers' specifications.

More from the company at 7 Airfield Way, Christchurch, Dorset BH23 3TB (02015 6711).

SERVICES First aid for pipes

ONE MEANS of carrying out repairs to a pipeline without closing it down is to freeze it and its contents with liquid nitrogen. This can save a lot of trouble.

BCB Pipe Freezing Services, which specialises in this is now facing growing numbers of calls for aid and has had to increase its liquid nitrogen storage capacity. To do this it has installed at its Croydon centre a 2,100 litre bulk storage tank which has been supplied by BOC and has been designed so that the liquid gas can be decanted into smaller, transportable vessels.

The company is also using BOC's Cryospeed Service which ensures delivery of liquid nitrogen to BCB pipe freezing teams on sites throughout the country.

Bulk storage facilities are also to be installed at BCB's two centres in Birmingham and from its two centres the company now says it can give faster responses to urgent requests for help. In addition, the company's capability in handling long duration pipe freezing operations which require larger supplies of liquid nitrogen is increased.

Details of the company's service can be obtained from 2a Boswell Road, Thornton Heath, Croydon, Surrey (01-859 6911).

The company is at 1-2555 Take, Yokosuka-shi, 225-03, Japan.

For EVERYTHING carbon dioxide Distillers Co.

RESEARCH

Quick stop for motors

WORK CARRIED out by a team at the University of Newcastle-upon-Tyne and assisted by the National Research Development Corporation has shown that three-phase induction motors can be stopped extremely quickly using a two-stage electrical braking system.

The first stage consists of discharging a fairly large capacitor across one pair of stator terminals, producing braking due to a self-excitation effect. In the initial few cycles of self-excitation braking is rapid, but it is not complete because it always ceases before the machine comes to rest.

Braking is completed by applying a short circuit across another pair of stator terminals; however, the University team has discovered that the effectiveness of this is critically related to the time phase of the self-excitation voltages and currents when the short is applied. Suitable selective thyristor switching circuits have been devised which ensure application of the short at the correct instant.

In tests, a 3KW three-phase motor has been stopped using a 200 microfarad capacitor in less than 0.1 sec, or less than two revolutions.

By comparison, braking with the conventional DC injection technique is nearly 10 times longer.

It is expected that the invention will find application in emergency braking of induction motors where reliability is essential and in the process industries where consistency of performance is important.

Companies interested in manufacturing control systems for braking based on this work are invited to contact Peter Thompson, NRDC, 66, Victoria Street, London, SW1E 6SL (01-833 3400).

Long fibre link works

USING A wavelength of 1.27 microns, a research team at Nippon Telegraph and Telephone has transmitted a 25 Mbit/s pulse code modulated signal over more than 50 km of graded index fibre without intermediate repeaters and at nanobit error rates.

If the laboratory work is converted to a commercial system it means that repeaters, being so far apart, can be accommodated in offices rather than manholes, greatly alleviating problems of repeater reliability, power supplies and maintenance. Applications are likely to be made in undersea as well as land transmission.

Presumably because the fibre can be made only in lengths of about 25 km, the total experimental length has some 20 splices in it, making the average fibre loss of 0.66 dB/km even more remarkable.

The high-silica fibre has a graded index core diameter of 60 microns and the overall diameter with cladding is 150 microns. It is coated secondarily with silica resin.

A double heterostructure laser making use of indium gallium arsenide phosphide and indium phosphide was used in a threshold current of 120 mA at 19 deg C and an output power of 0.5 watt at 130 mA. At the other end of the 50 km link, the detector was a germanium avalanche photodiode.

The Japanese team states that the system operates with no problems of crosstalk, induction noise, or reflections at splicing points. They expect the repeater spacing to be pushed to 70 km with further development. Their results have just been published in the IEEE's "Electronics Letters".

The company is at 1-2555 Take, Yokosuka-shi, 225-03, Japan.

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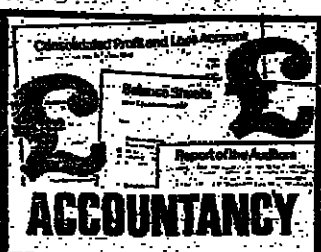
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The Management Page

EDITED BY CHRISTOPHER LORENZ



THE RECENT accounts of British Gas, the Electricity Council and the Post Office have led to public criticism of their Boards, of their auditors and of the accountancy profession. The main thrust of the attack has concentrated on the Boards' actions in providing for depreciation on a replacement or partial replacement basis.

The Boards it is said, are using flexible accounting methods to reduce the impact of high profits. The auditors are taken to task for passing replacement cost and historical cost depreciation equally readily (coal and steel have not followed suit). The accountancy profession is chided for its slowness in not producing an agreed standard.

The absence of a Hyde gear adjustment in these reports has also been questioned, though as this would appear only in the form of supplementary information it would not affect the profit shown in the accounts.

There is indeed no express rule of company law, or in present accounting standards, to stop companies or public corporations making extra provision in their accounts to cover the replacement of assets. Well respected companies have followed this practice, without public outcry. The effects have no doubt been taken into consideration by the stock market in interpreting the results. The Post Office itself has followed the same practice since it became a public corporation.

Innovations of this kind have been a normal feature of accounting practice in the past. Practical needs are felt in the business community, pioneers introduce what they consider to be improved procedures; these show their worth and come into general use as accepted accounting practice. (There was a time when consolidated accounts were regarded with suspicion.)

Disclosure
By its issue of the "Hyde" guidelines, the Accounting Standards Committee has indeed indicated its view that the level of depreciation appropriate to the current cost of assets is at least a matter for disclosure. It can be questioned whether it would be helpful to demand that enterprises which wish to incorporate similar information in their main accounts, and in some cases have done so for many years, should desist while business, the profession and the Government make up their minds.

The accounting profession has its share of human faults, but in these complex matters it may be wise to hasten slowly. Those who doubt this should recall the recent reception of the inflation accounting proposals in Exposure Draft 18—issued, it should be noted, for discussion, not as an approved standard for immediate implementation.

Nevertheless, the big public corporations, with their great economic power, and their methods of accounting are undeniably a matter of considerable public concern. It is therefore right to consider what justification there is for the policy that is being criticised.

A proper basis for accounting in state industries

BY PROFESSOR HAROLD EDEY

At the heart of the present brouhaha lies concern about tariffs. As the House shows, the published accounting reports are likely to influence views about the level of tariffs. If they are misleading in this context they could lead to the imposition of the corporations of economically undesirable policies. It is therefore highly desirable that within the bounds of possibility they should report present reality.

The role of tariff-setting in a public corporation is to give the right message to the consumers of its services. Subject to such social subordination as the Government considers necessary (and pays for) the money collected from the consumers should provide for the upkeep and replacement of the resources currently consumed in production. Failing this, consumers

are given a temporary benefit at the cost of the rest of the community of future consumers. This will occur through the running down of capital resources, coupled with the stimulation of demand to a level which can only be maintained by a further run-down or a diversion of resources from other ends.

A typical feature of such situations in public utilities is the increasing deterioration in the quality of service because the financial authorities, as the Government is unwilling to divert increasing resources to the public expense to meet the stimulated level of demand.

So an essential requirement in tariff-making is to set the tariff at a level sufficient to maintain productive potential. This requires among other things the assessment of the current cost of replacing the capacity, taking into account current technology, assuming, of course, that the service in question will continue to be demanded at a price sufficient to justify its production. Historical cost has no relevance for such matters.

Perfection in accounting cannot be achieved. It is not possible to capture in a single figure of "profit" the effect of all the imperfections which impinge on enterprises, or to eliminate the inherent uncertainty surrounding all economic activities. It does however seem that the estimated present-day cost of replacing an asset's services is likely to be a better guide in assessing an enterprise's financial success than the cost some years ago.

If there is to be criticism it should perhaps be directed to corporations that have not attempted to show how much depreciation is needed to reflect current reality. In the case of coal, for example, it can be argued that a better economic view would be given if the

corporate is of some importance when it is linked, as has been the case with the South of Scotland Electricity Board, to views of the Price Commission. In this context, the essence of the argument in favour of such an adjustment is apparently that the tariff should not seek to recover the excess of current cost over historical cost depreciation in so far as assets are financed by debt. In effect, the argument might run, the lenders must be deemed to have subsidised the consumers by not demanding an indexing of the loan to cover the falling value of money.

Public debt
The validity of this view is open to question. The level of debt in a public corporation is arbitrary, it is much higher than would be found in the private sector, and it depends to a considerable extent on the accident of past Government financing policies. Although the debt is nominally a liability of the corporation it is in reality, for most practical purposes, a Government obligation.

The role of such debt is more akin to that of debt capital of a subsidiary in the hands of the holding company. In such a case the cost of finance that is relevant for business planning, including pricing, is the overall cost of capital to the holding company. It has no direct connection with the debt finance that appears in the subsidiary's legal balance sheet. Here the notion is the holding company and the public corporation is the subsidiary.

On this view, the economic cost of finance in the nationalised industries should reflect the return obtainable from the best alternative use of capital resources—the so-called shadow price of finance. In estimating this, the existing legal debt, the interest on it, and the question of a gearing adjustment, are all irrelevant.

So far as the accounting reports are concerned the same line of reasoning applies. The public corporations are owned by the nation and their debt is largely provided by the nation or under its guarantee, so that the nation bears the risk. It is hard to see that a gearing adjustment has relevance.

A better plan might be to charge in the accounts, at an appropriate shadow rate, notional interest on the current value of the total resources in the corporation's hands. Interest on the legal debt would then be treated merely as a payment on account of this charge. In this way a significant step could be taken towards linking the financial reporting of the public corporations more closely to their overall financial control. The provision they reported would then acquire a significance which is at present lacking.

Harold Edey is Professor of Accounting at the London School of Economics.

IN AN ideal world, industrialists would be able to plan innovative products, processes or marketing by working to a set of management guidelines. In practice the world of business is far from ideal, the guidelines do not exist, and management has to be content with a such-and-say approach or one based on ultra caution where innovation simply does not occur.

But by the 1980s, managers may be able to turn to a set of precepts which will act as lines to guide unsure managers towards profitable innovation. The work on defining the precepts is now under way in one of the most potentially important research projects ever undertaken in British engineering management.

It is being carried out by a single, highly experienced and qualified man from the research and development side of industry, with only moderate clerical and research help. Dr. R. C. Parker, the former director of Turner and Newall and now director of the three year innovation project run by the Council of Engineering Institutions since last year, has some crystal-clear objectives. The simplicity of his targets is likely to embarrass the authors of academic papers studied by Dr. Parker who have spent thousands of man-hours defining terms, and often little else, in the field of industrial innovation.

Dr. Parker's first aim is to identify the management factors which should be encouraged or avoided to provide a base for innovation. He wants to draw up a short, readily understandable list of precepts for use by harassed managers in engineering. The hope is that managers will no longer adopt a stance of ultra caution and spurn creative innovation, at least not without understanding why. Dr. Parker wants the list to be by the side of every engineering manager, guiding his actions day by day.

It is a very ambitious target. But he has the confidence and the security of financial backing from the Government's National Research Development Corporation, the CEI, Rio Tinto Zinc, Delta Metals, ICI and Vickers, as well as Turner and Newall. The base for the intensive research is Ashridge Management College, Berkhamstead, Hertfordshire, where Dr. Parker has a research fellowship.

He has had almost daily contact with the production, management and marketing heads of 40 engineering companies. The ultimate aim in preparing

Lynton McLain on an unusual innovation project
A helping hand through the new product maze

the list of management precepts for innovation has taken him to large and small engineering companies to classify industrial activities and the approaches of management. His aim here has been to see how ideas, if any, get into the market place and to list the constraints in each group of companies.

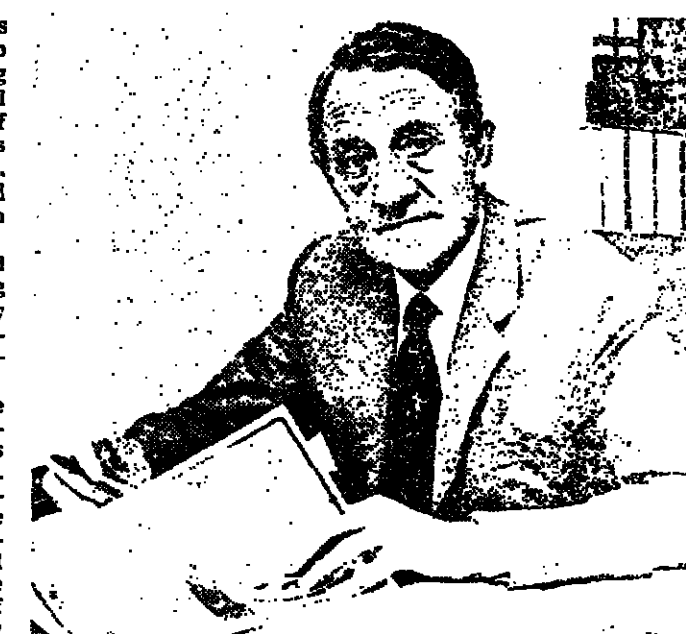
This work has already yielded valuable case studies showing how ideas are generated, or why some companies are arid wastelands devoid of ideas for survival.

In the larger companies he watched and recorded the progress of specific projects through to the market place. In smaller companies where innovation was a new word, he gave practical help in a systematic approach to creativity and the evaluation of an idea. There was often a disturbing lack of interest in new products, new processes and new marketing in many of these small companies. Often, he said, the board of directors' main interest was in reducing staff numbers. The complaints from directors were directed more at their exasperation with employment protection legislation than with ways of nurturing ideas into profitable life.

Dr. Parker is worried that more engineering companies have not responded to his call for an open door to observe, advise and to generate interest in the concept and practice of new ideas. One company sat on his offer for over nine months and still did not make up its mind.

The general manager of another company said a 50 per cent reduction in his workforce was an essential preliminary to innovation. His labour problems took up so much of his time he had none left to think about new ideas.

Seething with energy
There have been compensations for Dr. Parker. One large supplier of automotive components welcomed his visits as an opportunity for an objective assessment of its progress. The management also looked forward to the ultimate result, the



Dr. R. C. Parker—putting creativity into management.

list of simple guidelines. This company was "seething with energy," he said but welcomed the more rigorous and systematic approach, in sharp contrast to many of the other companies who gave Dr. Parker the impression that they for stimulating creativity during his time as R and D director with Turner and Newall.

He is now an advocate of management disciplines such as synthetics, where a group of people are trained to evaluate and produce ideas in a structured but creative way.

Action case study
A further benefit for engineering management will come at the end of the project, when the "action case studies" now being prepared by Dr. Parker, with full co-operation from the companies he has visited, will be made available to business schools as teaching material. This may help to revive Britain's engineering fortunes, but the greatest successes are certain to be on the shopfloors and in the minds of those managers Dr. Parker has been able to help by bringing creativity and innovation into the daily round of management tasks, where before there was only sterility.

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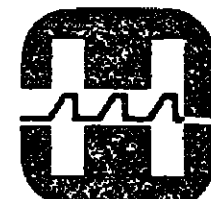
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BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Trustees' responsibility

As trustees we received on March 20, a reasonable provisional allotment letter for 393 new shares at £1.85 per share, acceptance in full by April 11 and sold 338 new shares, fully paid on April 9, realising £714. The tax inspector says that as the £714 was more than 5 per cent of the holding on March 20, the transaction must be regarded as a part of disposal and is claiming £127 to be the gain. Is there any answer to this claim?

The law on this point is quite clear, and it is a little surprising that none of the trustees appears to have foreseen the transaction consequences of taking up a rights issue with a view to an immediate sale.

The 1965 capital gains tax rules (like the 1962 short-term gains rules) treat shares comprised in a provisional allotment letter as issued immediately upon acceptance, and the transaction intro-

duced in 1968 (paragraph 3 of schedule 10 to the Finance Act 1968) only applies where a person receives or becomes entitled to receive in respect of any shares in (or debentures of) a company a provisional allotment of shares in or debentures of the company and he disposes of his rights. The trustees will doubtless wish to consider the extent of their personal liability to make good the financial consequences of their failure to act promptly upon receipt of notice of the rights offer and (ii) to acquaint themselves with the basic rules of capital gains tax.

On the limited facts provided, we cannot say whether the inspector's figure of £127 is correct, or of course, but he is undoubtedly right in broad principle.

Cover against legal costs
Is it possible to take out an insurance policy to cover against legal costs? If so can you let me know of any companies which

have such policies? I live in Scotland.

In English law the position is as you state. We cannot recommend particular companies; most of those which issue policies in connection with legal and tax planning risks will do so, as would Lloyd's syndicates. We suggest that you consult an insurance broker.

No tax to pay

Could you tell me how much the capital gains tax would be if I sell in 1978-79 Unit Trust Units at a gain of £1,500 and shares at a gain of £500? The shares were bought after April 6, 1965. Under the provisions of what was originally clause 35 of the Finance Bill (but was substantially altered in Standing Committee and on Report), the assessment would be as follows, and there would be no tax to pay:

Qualifying gains	£1,500
Other gains	500
Taxable amount	2,000
First £1,000 at nil	0
Remainder £1,000 at 15%	150
Less: Credit due on £1,500 at 17% but limited to CGT	150
	Nil

Transfer of shares
As secretary I am concerned with two instances whereby share-holders in my company have died without transfer of the shares being arranged to the legatees possible.

Pension plan

The Superannuation Funds Office of the Inland Revenue informs us that, subject to certain provisions, it will allow small schemes to be set up by any public or private company. The provisions concern the composition of trustees, and the investment policy.

The board of trustees has to include an outside "pensioner trustee" approved by the SFO and the pension fund cannot invest in more than 40 per cent of its assets in the parent company. The SFO is not prepared to circulate widely its list of approved pensioner trustees, but interested parties should approach the Association of Consulting Actuaries (Great Britain) for information, since an actuary's report will be required in order to set up the scheme.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Looking at Leicester

"In Leicester we have a super relationship with the Union and with our 900 employees," says Peter Bailey, managing director of H. T. H. Peck (Holdings) Ltd.

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10
LOMBARD
Sterling-lira
diplomacy

BY SAMUEL BRITTAN

IF PROPOSALS for a fresh start on European Monetary Union have worried the British Government, alarm is more like the feeling they have given rise to in Rome. Indeed at the end of July a two-man team consisting of the Italian Finance Minister, Signor Filippo Pandolfi, and Banca d'Italia Governor Dr. Paolo Baffi, visited London (after a preliminary call in Brussels) to communicate their concern and suggest a common attitude. The basis of their fears is that the Italian inflation rate, now running at 12 or 13 per cent, is even higher than Britain's, let alone Germany's. The authorities in Rome are clearly worried that they will be faced with a choice between going into a currency snake, at a parity they will not be able to maintain, or being left outside an arrangement including the other eight of the EEC, and being relegated to the Mediterranean or Southern European sphere outside the mainstream of Community affairs.

The Italian desire, like that of the British Government, to make sure that the central party can be adjusted with sufficient ease, and that there is a large enough support fund to allow the weaker currencies to participate. The real nightmare in Rome is that the scheme may be just loose enough to allow the British to participate, but sufficiently stringent to keep the Italians out in the cold.

High inflation

This is not a spectre that needs to be taken too seriously. Despite obvious differences in national temperament, the UK and Italy have many economic weaknesses in common. Both suffer from a uniform-influenced price structure which prices many workers out of at least official employment; both suffer from official restrictions and uncertainty which inhibit investment, and both are high up in the inflation league.

When, at one of the more informal of the recent Anglo-Italian gatherings, a guest suggested that any currency arrangement which the UK could afford to accept would be all right for Italy too, the remark was greeted with visible distaste by the official Britons present. But in fact the main reason why the UK inflation rate is for the time being below the Italian one is North Sea oil. The initial impact of this oil has been to reduce the British import bill and thus to raise the sterling rate above what it would be on a strict international cost comparison. A higher sterling rate helps

THIS week, I can report on some of the experiments which I have been announcing or suggesting over the past nine months or so, and which I hinted that you might also like to attempt. No doubt you thought you would rather wait for the results. Perhaps you wondered if they ever went further than the paper on which they were written: not so, I assure you. I look out this week, on three of my favourite themes from the past half-year and feel that they are most worthwhile.

Violas have had a good press here lately, and I must say once again that the small white viola cornuta alba is still my plant of the year. Perhaps I bought a few, but I don't doubt it. Over the past two years it has flowered steadily from May till September, never so thickly as in these past few months. When you want more you can pull a piece off at any season, taking care that you bring a bit of root with it. Its mat of roots runs quite widely, so it is far easier than any of those cuttings I described two weeks ago. Wherever you plant it, it will start to flower after a month or two.

There are whites and whites, but this white is clear and bright, on a small neatly-shaped flower, far smaller than a pansy. There is a mauve-violet form called plain cornuta which is just as easy but, to my eye, far less interesting. The white one is the edging plant of all time. If you want a violet-mauve, hunt for the glorious small Haslemere variety. Its colouring is quite marvellous, a subtle grey-mauve with a darker margin. But it is not nearly so vigorous nor so free with its runners. Three plants of it do not go very far, so you should isolate them when you can see them closely.

Last autumn, you may recall, I wrote about other white chosen from the individually-coloured varieties in the list of Thompson and Morgan, London Road, Ipswich. These are now in full flower along the edge of a bed on which I can confirm their vigour and the ease with which they grow from seed. All of them are good, especially T & M's selected golden yellow, a clear raspberry-red and a deep blackish. I raised 40 or so plants of each from a packet and am very glad to know that they

will last, now, for as many years as I want. For 50p or so, a packet of each of these would be an excellent seasonal buy. If sown now, they would be flowering freely next year along the front of any flower-bed.

But I have still not quite found the small-flowered trailing varieties which originally drew

The violas, then, have come off as they should, for they are in no way a difficult plant. If you are starting a garden in a small area, please do not forget them.

If you read the next suggestion I made, I doubt if you would ever put it out of your mind. Last autumn, I wrote that I was planting gladioli at a season

GARDENS TODAY

BY ROBIN LANE FOX

when most of you would expect these in the fine garden at Manor. To be cutting your gladioli flowers. It was one of the best things I ever did. These small, fairly hardy sorts of Gladioli, Nanaus are a wonder. You can buy them from any bulb merchant (£3.50 a 100) and last Spring (price) and you should plant them two inches or so deep in a light soil either in October or in March. It was a cold winter, too cold for many of my Gladioli. But the gladioli planted then have all come through unscathed and are flowering well ahead of those which I reserved

for a spring planting. Comet is a strong red, Rose Preciosa a surprisingly fine pink, marked with a yellow blotch. The Bride is pure white. But the winner is Blushing Bride, white with a cherry-red blotch, one of the loveliest flowers I have seen. These are all small plants whose flowers, some three inches across, arch over among thin and graceful leaves at a height of two or three feet.

At first, you think they will be blind. There seems to be no room in the thin leaves for a flower, but the most of them it flowers up through the middle and opens into something as exotic as an orchid. Colour, texture and shape make these flowers unforgettable.

Lilies, too, have had a good run here recently. I am glad, now, that they did it. It has been a dry June and July. Timing the growth on the taller sorts, Green Dragon, Black Magic and so forth. But the commoner ones, of which I wrote last spring, are flowering their heads off. As the palaces begin to open and the first roses have fallen, their strong colour is invaluable in a small enclosed garden, they look their best, lighting up a

background of walls and green leaf. Olympic Hybrid and Mini-Century Hybrids have been well, but the best, as always, is the one which every serious lily-grower would consider too simple to grow. Lily Enchantment.

I refer you to it again because this year, I am sure, it is in its prime. I have massed it in front of the pale blue Campanula Lantana which tones it down. It flowers with extraordinary freedom, up to 10 big reflexed flowers of red-orange, a stout two feet high so that it needs no staking. Each year it multiplies, even on time. I have seen clumps in dry, alkaline soil which have spread out into 100 heads of brilliant strong colour, keep it among paeonies and iris, now out of flower. Their elegant leaves are at quite charmingly. It is not a bulb which grows in two good years. Experts will smile at this late praise of it, but of the additions to my garden over the past few months, there is none with the vigour, ease and impact of this remarkably cheap and healthy Lily. Succumb! Enchantment, I assure you that it works.

Philodantes has useful weight advantage over Mandalus

THE PROLONGED heavy rain which swept the country on Monday and Tuesday, bringing about the abandonment of today's Ascot on King George VI and Queen Elizabeth Diamond day, should prove a decisive winner of the Great Mogul Diamond Stakes in which he found few problems in giving weight.

There is probably no better drained course in the country

local racegoers ready to back the combination for a repeat. Mandalus came back to winning form with vengeance at Ascot on King George VI and Queen Elizabeth Diamond day, running out a decisive winner of the Great Mogul Diamond Stakes in which he found few problems in giving weight.

Although a follow-up here would come as no surprise, I believe the Sir Mark Prescott four-year-old is a better horse with the fast conditions he enjoyed at Ascot and he may pay backers to oppose him with Philodantes. This Barry Hills-trained three-year-old, who found Smackover just too good for him at Goodwood, ran well in the mud in Ascot's White Stakes before turning inside the final furlongs to pocket a prize.

Another in fine form here a year ago was Willie Carson, who pulled off a 43-1 treble through Right of Light, Indian Mark and Violet Honey. Although his prospects of a repeat treble are slim, he may be surprised if the champion jockey elect does not land at least one prize.

Two likely prospects for him are the twice-raced Come About in the opener, the Amport Maiden Stakes, and Indian Mark, who bids for a repeat in the H. S. Lester Memorial Cup. Come About, a bay son of Sweet Easy, 2-5 in the hands of Elaine Mellor, and there are sure to be many

SALISBURY
2.00-Gibraltar***
2.30-Ready Token
3.00-Mallabée
3.30-Philodantes*
4.00-Indian Mark
4.30-Popular Wine*
5.00-Centurio

two lengths when third of 11 behind Onapromise in a maiden event for which he was favourite at Haydock last month. Any improvement on that, running second in his previous start, opposition to Glen Strae's half-brother, Gibraltar, another certain to appreciate the under-ford conditions.

Indian Mark, a seven-year-old gelding who returned to a hero's reception when giving octopus at home, 2-10 underweight, was a year earlier, his first Ascot winner, earlier this term, is unlikely to find the concession of 12lb to Northanger an easy task. But he is always at his most formidable

meas and may just have the means of the younger Whitsbury representative. In the Manton Stakes, I expect to see little in it between Ian Balding's Connaght gelding, Centurio, and the Ryan Price-trained Kerkorian, a son of Vaguely Noble. I was disappointed with the Sussex colt, Goodwood last month, and take Centurio, a big and still unfurnished chestnut, to come out on top.

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10.55 Omnibus Regional News.
11.40 Weather/Regional News.
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TV Radio

Indicates programme in black and white
BBC 1
6.40-7.30 am Open University (Ultra High Frequency only). 9.50 Pudding. 9.55 Jackanory. 10.10 Scooby Doo. 10.35 Belle and Sebastian. 1.20 pm Fingerbobs. 1.45 News. 2.00 The Commonwealth Games. 4.16 Regional News for England (except London). 4.20 Play School visits

the Jubilee Gardens, London. 4.45 Roobarb. 4.50 Pink Panther (cartoon). 5.10 Young Explorers. 5.35 Captain Pugwash. 5.40 News. 5.55 Nationwide (London and South-East only). 6.20 Kiss and Make Up (cartoon). 6.30 Hugo van Lawick's Africa. 7.20 The Commonwealth Games. 8.10 Z Cars. 9.00 News.

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August, 1978.

FINANCIAL TIMES

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Wednesday August 9 1978

The squeeze tightens

EVEN AFTER due allowance has been made for all the factors which make last month's banking figures hard to interpret, the underlying message would appear to be that, with only one more month to go before the start of the three-month operative period for the application of the corset, the banks have made somewhat disappointing progress towards reducing their interest-bearing deposits to the level above which they become liable to penalties.

Not high

The first set of monthly banking figures to be issued after the reintroduction of the special supplementary deposits scheme was announced showed that the banks' interest-bearing liabilities—which include deposits taken from the wholesale money market and branch deposit accounts but not non-interest-bearing current account balances—had fallen by 11 per cent in the four weeks to mid-June. The latest figures, for mid-July, show not a further reduction but an increase of almost 1½ per cent. This puts them about £1bn or just over 3½ per cent above the target which, under the corset arrangement, is to apply to the average amount outstanding on the banking make-up days in the three months August to October.

Much of last month's increase can probably be put down to seasonal factors including the half-yearly crediting of interest. Unlike the full money supply figures, which are due out next week, the monthly banking figures are not seasonally adjusted. Last month would have seen, too, an increase in overseas deposits, reflecting the strength of sterling. At the same time, the shortage of Treasury Bills would have made it difficult for the banks to continue to unwind any window dressing arrangements they undertook in anticipation of the return of the corset. Even so, yesterday's figures imply an increase of probably about 1 per cent in sterling M3, the broader definition of money supply, which would have brought the growth in M3 in the first three months of the financial year to slightly above the bottom end of the range of 8-12 per cent which the Chancellor has set for the

first half-year. This is not unduly high, but it is more than the market had been generally expecting, as yesterday's reactions indicated.

Provided the corset arrangements work in the sense that they bring about the desired reduction in the banks' eligible liabilities and thus in turn exert a restraint upon the amounts the banks are able to lend, the growth of the money supply seems likely to remain within the target range for the rest of the half year. It is evident, however, that the corset is likely to pinch somewhat harder than had been expected particularly if, as some bankers are saying, the latest figures indicate that they had engaged in rather less window dressing than had been generally supposed. This means that the banks will have to put a brake upon the future growth of the advances at a time when there are some indications of a rise in industrial borrowing. The latest figures are affected by seasonal factors as well as by the switching of demand from the money market to the banks to save on interest. But the uncertainty about the underlying strength of demand for bank loans suggests that it would be unwise to expect an early move towards a reduction in interest rates, which again could have implications for industrial investment.

Real chance

The corset was re-introduced after the excessive growth of sterling M3 in the latter part of the last financial year and the conflict between the fiscal proposals put forward in the Budget and the new financial targets and caused gilt sales to languish. The Government thereby eased the doubts about money supply growth and cleared the way for a renewal of sales of government stock. But the use of the corset, and the accompanying increase in employers' insurance contributions at a time when industrial investment was growing and profits were likely to be squeezed, did nothing to ease the prospect of the Government going after most of the available credit in the economy at a time when there seemed to be a chance of some recovery in the private sector.

Racial reform in Rhodesia

RHODESIA'S LATEST move to limit racial discrimination does not go as far as expected and will almost certainly fail to satisfy the majority of the country's black population. It is true that the transitional Government has now formally ended discrimination against blacks in public places such as hotels, restaurants, cinemas and theatres. But this smacks very much of tokenism. In the first place, few managements have recently been exercising their right to bar blacks from cinemas and restaurants. In the second, yesterday's executive council statement made no mention of ending segregation in the key areas of schools, hospitals and residential zones.

Surprising

Bishop Abel Muzorewa, one of the three African leaders supporting the internal settlement, has nevertheless welcomed yesterday's decision. That is somewhat surprising in view of his recent public warning that the interim Government's failure to act decisively on racism has been costing it international support. The blacks have been demanding the immediate repeal of racial laws in the fields of health and education, but yesterday's statement did not even include the expected declaration of intention to take action. It can only be assumed that Bishop Muzorewa's approval has been bought by private promises that something will soon be done. But there is little time left.

Of course Mr. Smith does not want to upset the white population too much when he still has to secure their support for the proposed new constitution in a referendum. There are also obvious practical problems in providing the extra hospital beds and school places that desegregation would make necessary. It is on the other hand, no use trying to delude the whites about the consequences of moving to black majority rule by the end of the year. Whatever turn events now take, it is quite clear that the old days of white privilege are numbered. Declining white morale and the high rate of white emigration are both signs that this is now increasingly

widely recognised, inside the country as well as outside it. If the internal settlement is to succeed in its aim of attracting widespread black support, the whites must make it quite clear that they are serious about the introduction of a genuinely multiracial society. After so many last-minute attempts to turn back, Mr. Ian Smith, it is understandable that many blacks should remain sceptical so long as he retains a firm grip on the levers of power. Nor is it conducive to the settlement's credibility when Mr. Smith is reported as believing that it is still possible to postpone the elections he has set for early December and the independence date of December 31.

The fact of the matter is that, as things now stand, it will be difficult for Mr. Smith to substantiate claims that the interim Government is capable of staging a free and fair election. Patriotic Front guerrillas are roaming wide areas of the country and the movement's leaders have sworn to disrupt the elections to the maximum extent possible. In Salisbury there seems to be increasing awareness of the internal settlement's deficiencies.

Conference

The problem is that there is little incentive for the Patriotic Front leaders to participate in a peaceful settlement one way or the other. If the internal settlement succeeds in establishing a new Zimbabwe Government, from which they are excluded, they will calculate that force is the best way of overthrowing it. But they will not want to come to the negotiating table if the internal settlement is manifestly on the brink of failure. In the absence of the extra hospital beds and school places that diplomatic front, the war will degenerate into a make go on.

That is why Dr. David Owen is right to continue to make every effort, however tough it may seem, to bring all the parties together for negotiations. A conference, by itself, will not necessarily solve anything. Pressure must be maintained through the five from line Presidents. There are few other cards in either London's or Washington's hands.

Mr. Chapple comes to the aid of the silent 'phone makers

BY JOHN LLOYD

"FRANK CHAPPLE is delighted," snapped Mr. Bryan Stanley, general secretary of the Post Office Engineering Union, commenting on his fellow general secretary's heretical but forthright espousal of free market principles in the telecommunications apparatus business. But Mr. Chapple's revisionism is hardly surprising. First, he has made it clear in the past that he is not averse to capitalism: second, he is under pressure.

He is, as he sees it, defending the jobs of his members in his 420,000-strong Electrical and Plumbing Trades Union. The fact that the way in which he chooses to do so puts him squarely on the side of some manufacturers, telecommunications managers and Sir Keith Joseph does not appear to deter him one bit.

Predictably, he bases his arguments on the case of the U.S. "The interconnection industry in America has already provided jobs for many of the people who were thrown out of work and has provided useful extra facilities to both private and commercial telephone subscribers. They have managed to deal with the problem by allowing freely the interconnection of any kind of apparatus on to the public switched network. By apparatus I do not mean just the telephone handset itself, but also PABX and internal exchanges, data and radio equipment, facsimile and teletext equipment and all sorts of other equipment for particular user requirements."

The lobby for "interconnect" in Britain, which Mr. Chapple now greatly strengthens, has been growing in size during the past year. It gets its name from the U.S., where in 1968 the Carterfone company won a decision against the AT & T monopoly in subscriber's equipment. Carterfone, as a result of the judgment, was allowed to "interconnect" its equipment with the AT & T trunk network.

Last year, Mr. John Stanley, chairman of Aircall, the car telephone service, formed an anti-Post Office monopoly alliance called the National Association of Radio Communications Services as a lobbying vehicle for interconnect. He claimed converts on both sides of politics. Already converted were the telecommunications managers, who look after the communication needs of the larger companies and who reaffirmed support for interconnect at their annual conference last year.

Also inclining to the same side were two multinationals with substantial bases in the UK: IBM and I.T.T. Both are developing wider ranges of products—PABXs, data terminals, handsets—which are crying out for markets. Their evidence to the Post Office Review Com-

mittee (Carter Committee) was largely concerned with making a case for interconnect. Carter was cautious—"we do not feel able to define a new boundary without a more detailed study of the effect that a change would have on subscribers and on the service"—but recommended the liberalisation of the small PABX market as a trial.

Sir Keith Joseph gave notice that the Conservative Party was also to have a place on the bandwagon in April, when he promised that one of the "earlier pieces of legislation" of a Conservative government would be the liberalisation of the supply of telecommunications equipment. Sir Keith, indeed, went one step further and said that the Conservatives still had an open mind about whether or not to open the postal service to free enterprise.

This week, Mr. Chapple adds his voice. Characteristically, it is a loud one: "It is quite right that the Post Office should continue to have for rent or sale the completely standard types of equipment, but it is quite wrong to expect that the Post Office will be able to provide the vast variety of equipment that the public will wish to have available, and quite wrong, too, to prevent the user from having the maximum choice and availability."

Mr. Chapple argues that the Post Office has already conceded the principle of interconnection. "It allows the main television manufacturers to interconnect the modems (modulator-demodulator) for interconnection with the public switched network of all television teletext receivers. If it is accepted that the television manufacturers are perfectly competent and responsible, I cannot see why it should be assumed that the telephone manufacturers, who have much more experience and knowledge in the field, are not as competent and responsible."

'It is left to my union'

He repeats the view that competition in the UK market would make the telecommunications companies more virile in the export markets. "A free interconnection policy would make it much more possible for manufacturers in this country to obtain a home market for goods that they could sell overseas without necessarily having to convince the Post Office that the goods they required should be altered. Similarly, the availability of some imported equipment would have the effect of keeping our manufacturers up to date."

"Unfortunately, the manufacturers themselves seem inhibited by their fear of offending the Post Office by speaking out loudly and pub-



Two trade union leaders in conflict: Mr. Bryan Stanley and Mr. Frank Chapple.

licly on this subject. It is left to my union to see that the issue is raised publicly. In the past, our manufacturers have exhibited many of the unfortunate and defensive characteristics of a cartel. This is natural, in that they were protected for many years by the bulk supply agreements, and one should not be surprised that they should have an unhealthy fear of foreign competition.

"I would have thought it possible to make quite sure that we do not suffer unfair competition from the Far East. In the Common Market, competition would be fair in that the other European manufacturers suffer from the same kind of drawbacks and difficulties that we do ourselves."

But the issue which has exercised Mr. Chapple, and the reason for his stance, is unemployment among his members. All the three major telecommunications suppliers—General Electric, Plessey, and STC—have cut back staff, and will continue to do so. Current estimates are that around 6,000 more jobs are at risk.

This trend will accelerate as the electronic switching system, System X, comes on stream in the 1980s. System X, in common with all electronic exchanges, requires far fewer workers in its manufacture, because the moving parts in the electro-mechanical systems—which still predominate in the UK network—are replaced by solid-state circuitry. Mr. Chapple fears a big loss of members.

"My union represents the majority of people working in telecommunications manufacture and for them the problem is greater than for the Post Office engineers because it is

more immediate. If one assumes that System X exchanges will be appearing in two years' time, then from that date the bulk of the telecommunications manufacturing industry will be changed over to the new technology.

"In contrast, most of the network will continue to use existing exchanges during the next 20 years and thus the engineers in the Post Office will be affected by the new technology to a relatively small extent in the near future."

The way to claw back these disappearing jobs, Mr. Chapple argues, is by "liberating the market." Under the stimulus of competition, more and better equipment would be produced, and both the Post Office and the manufacturers would serve an increased demand.

The U.S. provides a useful lesson in this regard, though possibly a more complex one than the supporters of interconnect generally assume.

Since the Carterfone judgment 10 years ago, "Ma Bell," as AT & T is known, has been gradually losing more and more sales of its monopoly business in the apparatus market. A variety of small companies began to establish themselves, selling specialised telecommunication products. AT & T, perforce, had to develop a marketing approach: four years ago it launched its Design Line of phones (various styles, including recently a Mickey Mouse shape) and began to open Phone Stores (there will soon be nearly 2,000). The market is booming: an AT & T executive recently estimated that the domestic apparatus market alone would go up as much as ten-fold during the next decade, from around \$5bn now

to \$55bn and more. Not all of that growth, of course, is simply in handsets: for example, remote control heating, water heating or ovens can be turned off or on by simply dialling a number—is a technical feasibility, and that means it will be marketed.

But the changeover from a "service orientated" to a "market orientated" company has not been achieved without pain. Mr. John deButts, the AT & T chairman, testified last year to a Senate subcommittee: "The service motivation has been bred in the bones of telephone people over the course of 100 years. To supplant that motivation with a market motivation might make us a no less profitable business and a no less effective one, though by different standards. But we would be a different business surely, and I for one cannot help but feel that we would be a poorer one for it and so would the public we serve."

Mr. deButts' argument is one at the core of the interconnect controversy, and it demonstrates that both sides to the argument use the same criterion to justify their position: the customer. For the marketeers, the customer's demand must be satisfied. For the monopolists, the standard of service which the customer deserves is crucial. (Both tend to be reticent about the profits they assume they will make either by controlling the market, or carving slices out of it.)

Mr. Brian Stanley, of the Post Office Engineering Union, naturally is on the service side of the argument. "What this is being challenged by a political demand of Frank Chapple's party,

would do would be to take money out of the telecommunications business, money which at the moment is ploughed right back into the business. That would mean a decline in the service itself, or the customer will have to find more money to maintain the quality of the service, and to finance its expansion."

Mr. Stanley dismisses Mr. Chapple's claim that the Post Office is already moving towards interconnect. "You can't compare allowing modem connection with direct interconnection with the network. At the moment, customers can lease a private circuit and that can interconnect to that. That isn't direct connection: the principle of not allowing direct interconnection with the public network remains."

The Post Office agrees with Mr. Stanley—even though Mr. Chapple has been smiling winningly at them, saying that the top management "is much more liberal and progressive... they will see the advantages of adopting a completely liberal policy." For the moment, they do not. Neither Sir William Barlow, chairman of the Post Office, nor Mr. Peter Banton, managing director of P.O. telecommunications, are about to allow the manufacturers to undermine a monopoly which is now profitable and whose breach would outrage their employees. That would be too much like fashioning a scourge for their own backs.

Instead, they have fashioned another. Last month, Sir William announced that telephone charges would go down by 5 per cent a year in real terms for the next five years—a large promise on top of a target return of 6 per cent on net assets.

This, obviously, is the hallmark of the Barlow/Banton approach: be seen to be customer-conscious. The Buzby campaign, and the Tommy Steele commercials, are part of the same approach. The Post Office must be shown to be the Caring Monopoly, to do what AT&T have been forced to do under pressure from competitors by reproducing that pressure within its own vast organisation.

In the end, the dichotomy between giving service and serving demand which are the rather simplistic terms in which the argument is couched may be decided politically. Mr. Stanley underlined this when he commented that he found it surprising that Mr. Chapple should support a Conservative demand. "The trade unions will not support the return of a part of the public sector into the private sector." The power implicit in that undoubtedly correct estimation has yet to be challenged by a political party.

MEN AND MATTERS

From Russia for love and money

Any young man of romantic disposition who has a mind to become engaged should waste no time about it. The 30 per cent rise in diamond prices announced yesterday by De Beers will work through to the jewellers' shops within a couple of months. That is what I am assured by Ratners, the multiple retailers, who concentrate on what they engagingly call the "bread and butter end of the trade." If you want to buy a thoroughly expensive engagement ring, there may be a little extra time, because stocks move more slowly in Bond Street and thereabouts.

The cost of a diamond ring has at least quadrupled in the past ten years (the same cannot be said for the insurance cover most people have). The rising price of gold will also push jewellery prices up. All of this is gratifying for the Russians—it's an ill dollar that blows nobody any good. Gold sales

from the Soviet Union amounted last year to 410 tons, which at \$205 an ounce would have been around \$5.6bn. But it all, A.S.T. Heller travel agency has invited residents to "enjoy a day away from the Battle of Flowers" by flying to Derby and touring the Peak District and Chatsworth House.

Bookings flooded in, then the whole scheme was scuttled because of the recent turmoil in the airways—the travel agency could not hire a plane to fly out the natives. Will there be another attempt next year? "Most definitely," I was told. "When you've seen one battle of flowers you've seen them all."

As was demonstrated yesterday in this column, the Mother of Parliaments is more assiduous—or prolux, depending upon how you regard it—than any of its EEC counterparts. British MPs spend three times longer together than do French self-respecting warriors: even sometimes he carries two. Airline food may also be a difficulty: the Massi usually live on blood and milk.

Trips to the sea are part of the Kenya Government's attempts to bring the 300,000 nomadic Masai into the "modern sector" and persuade them to settle down and grow crops. But the airline is not too hopeful that the experiment will provide a new source of fare-paying passengers in the immediate future.

local population will view the festivities with jaundiced eyes: they had hoped to escape from it all. A.S.T. Heller travel agency has invited residents to "enjoy a day away from the Battle of Flowers" by flying to Derby and touring the Peak District and Chatsworth House.

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Such values placed upon the services of their opposite numbers may stun our hon. members. Even the Irish, whose efforts work out at £3.50, must be objects of envy—and still more the Italians, whose

£10,500 a year for 606 hours in the chamber comes to £17.32 an hour.

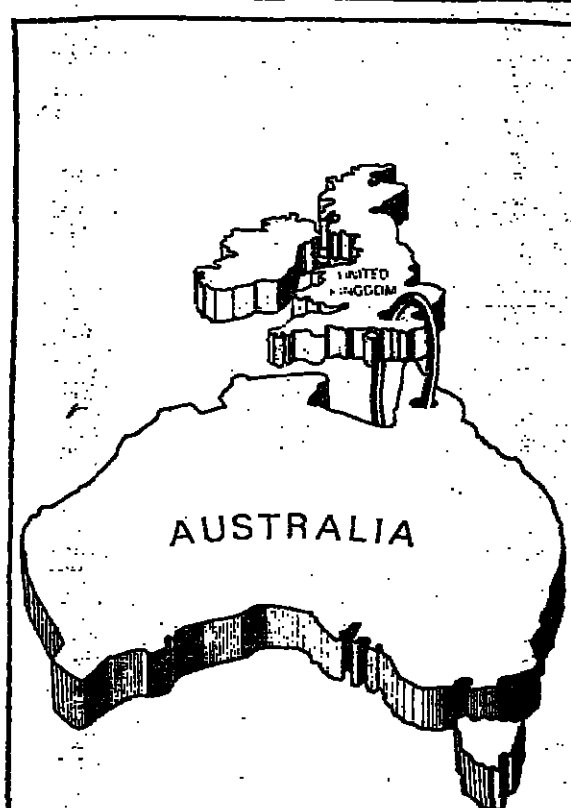
How even the lesser German politicians judge their own worth may be gauged from the current fracas in Rhine-Westphalia. Members of the regional parliament have been pressing for new rates of pay: £20,400 a year basic, plus £11,400 tax-free allowances, and a pension of £15,000 a year after 15 years' service. There was some public protest, so the MPs are now studying a compromise that would reduce these figures by 10-15 per cent.

Given the prospect of such Continental largesse, it is small wonder that the European parliament is a lure. A Strasbourg committee last year suggested that its directly elected members should get £35,000 a year: although this has been modified to avoid too much chagrin at Westminster, the Euro-MPs may well receive about £10,000 a year after tax, plus massive allowances.

Ham and air

Ham and nitrogen sandwiches have vanished as quickly as they arrived. Packaging food by a method that removed all oxygen from within the Cellophane wrapper was promoted recently as an idea to lengthen shelf life. In the U.S., the method was adopted by the National Railroad Passenger Company, but this has been stopped by the Food and Drug Administration. Properly handled, the technique should be little trouble, said the Administration—but we are concerned at the ability of the railroad company to do this. Any traveller on British Rail can only agree.

Observer



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J.P. 1001520

The bursting North Sea bubble

CHEMICAL COMPANIES have tried hard in recent months to dispel the vision they helped create in the mid-1970s. Until 1976 they were willing to go along with the Government plan to build a new petrochemical plant at a site in the North Sea, an area of unexplored expansion fuelled by the unexpected resources of oil and gas feedstocks from the North Sea.

If the country was to gain full benefit from this access to domestic sources of petroleum, much would depend on the chemical industry's ability to add value to the basic feedstocks by transforming them into a wide range of products: plastics, synthetic fibres and a host of other products.

The vision was first first by the failure of Western economies to climb quickly out of the recession that followed the quadrupling of oil prices in 1974. An industry that was ready to gear itself for another period of rapid expansion was faced by falling growth rates, low demand, serious overcapacity and weakening prices. These have become the hard facts of the chemical industry's market place in Western Europe and are a formidable barrier to any purely national aspirations.

But it has taken longer for a sense of proportion to be injected into the other side of the equation, namely the question of what feedstocks are actually available for rapid expansion of the petrochemical industry. The recent publication of the long-awaited Gas Gathering Pipelines Report has gone some way to redress the balance.

To see just how dramatically the picture has changed in less than two years it is useful to recall the policies that were being endorsed as late as November 1976 by Mr. Eric Varley, the Industry Secretary.

Referring to work carried out by the petrochemicals sector working party (which includes representatives of the major chemical companies, the chemical industry trades unions and the Department of Industry) Mr. Varley laid out the Government's policy in the House of Commons as follows:

"The Government endorses the report of the sector working party which foresees the construction by 1985 of four new ethylene crackers in the UK in addition to the cracker at present under construction. This would meet the expected UK growth of consumption and make a major contribution to a wide range of payments through exports."

Premium

"A key factor will be the availability of ethylene and other associated heavy natural gases from the North Sea oil fields. We see ethane as a premium feedstock for ethylene manufacture which could lead to further petrochemical expansion."

Ethylene is the most important basic petrochemical and an ethylene plant, which today must cost in excess of £200m, is at the heart of modern petrochemical complexes. The ethylene plant is usually the trigger for the establishment of a wide range of downstream user plants for the manufacture of a wide range of products from plastics and synthetic fibres to detergents, paints and anti-freeze.

Mr. Varley made clear at the time that estimated North Sea reserves of ethane could provide feedstock for "at least an other four to five ethylene crackers." The availability of ethane could therefore be the key factor in the development of the British petrochemical industry.

The Government has still not

changed its stance publicly and remains Mr. Varley's last detailed policy statement on the chemicals industry. But the facts have changed rapidly.

The amount of ethane that will come ashore is dependent on what sort of gas gathering pipeline network is finally built. But the needs of the petrochemicals industry are a secondary issue. The economics of such a system rest almost entirely on whether it can be justified in terms of the natural gas (methane) that will be secured. The merits of such a system cannot be judged by petrochemicals demand.

The company that produced the pipelines report, Gas Gathering Pipelines (North Sea) was formed out of a consortium of the British Gas Corporation, British National Oil Corporation, British Petroleum, Imperial Chemical Industries, Rio Tinto-Zinc and Elf-TOTAL. The Government, having set the company's remit, has challenged some of its findings for not being sufficiently ambitious. But the report is nonetheless the most recent study of the subject and its conclusions have important implications for the development of the petrochemical industry.

The report rejects the building of a £250m pipeline network to gather gas from scattered fields where gas would otherwise be left in the ground or flared if produced along with oil. Instead, the report comes in favour of two mini gathering systems that would link several fields with the existing pipelines from the Frigg and Brent Fields. Its calculations on petrochemical feedstocks are based on this latter conclusion.

Ethane is the most important potential chemical feedstock, because it has few alternative

uses. At present, far from the four crackers envisaged by the Government in 1976, only one is being planned and no final commitment to even this project is expected before the end of the year. This plant has been proposed by Esso Chemical for a site at Mossburn, in Fife, and would use ethane from the Shell/Esso Brent Field. The £250m project has still not received final planning permission from the Scottish Office, which has been lobbied hard by local groups, objecting to the plant on safety grounds. Esso Chemical is planning a 500,000 tonnes a year plant, but has yet to decide whether market demand can justify such a timing would come on stream in 1982-83.

Gas Gathering Pipelines considers that on the basis of discussions with petrochemical companies and assuming the Mossburn plant is built, there is unlikely to be a requirement for another new ethylene plant in the UK even by 1985. Even if the plant is built, it does not believe that the additional volumes of ethane coming ashore via the proposed Brent and Frigg systems would be adequate to supply another ethylene plant until the early 1990s.

Gas grid

However, as the graph shows, much of the ethane under present plans would go to British Gas to bring gas for the national grid up to the right specification.

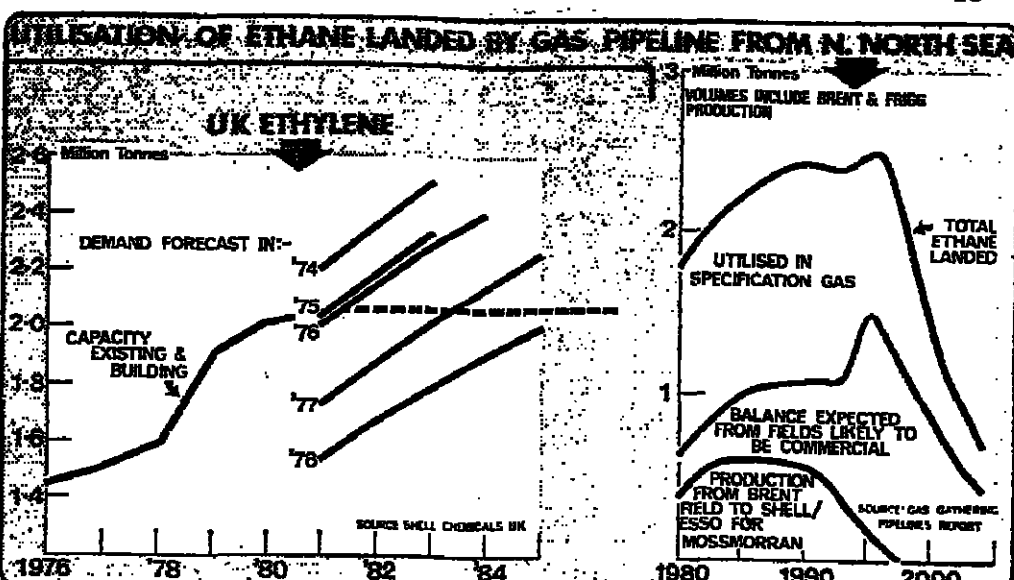
It is possible, though expensive, for some of the ethane to be replaced by heavier gas liquids. If this happened, then sufficient quantities — 600,000 tonnes a year — could be made available for 15 to 20 years for a petrochemical development.

But there are other drawbacks. Ethane-based ethylene plants produce only ethylene and are not suitable for producers who also require for their markets the co-products such as propylene and butadiene that come from the use of heavier feedstocks, especially naphtha, the traditional ethylene feedstock in the UK.

"There are also other disadvantages of using ethane," says the report, "particularly the dependence of supply on gas demand and the uncertainties of any offshore-based system. The economics of ethylene production from ethane in a UK development area, allow for capital grants, are however, attractive for companies requiring to produce ethylene only."

Gas Gathering Pipelines says that its discussions with potential investors have indicated that, if there were a market, some companies would be interested in ethylene production based on gas-gathering supplies. But they would require a reasonable guarantee of a source of supply in sufficient quantities over a long enough period to justify the capital investment in downstream plants.

GGP calculates that there could be as much as 74m tonnes of ethane available over the years 1976 to 2015, but only 59m tonnes is judged to be contained in gas that will prove economic to collect. As a petrochemical feedstock, ethane would have to compete with naphtha and to a small extent gas oil in the market. There is no merchant trade in ethane, as exists for propane and butane, but GGP has derived a value of £77 a tonne for ethane by relating it to the value of ethylene produced from naphtha in Northern Europe. As far as the other potential



petrochemical feedstocks are concerned, namely propane and butane, GGP points out that very real alternative uses exist for these feedstocks. Both could find ready outlets in the fuel markets of the U.S. and Western Europe. Shell, for instance, has already committed some of its propane and butane (liquefied petroleum gases) from the Brent Field to the North American fuel market.

Propane recovered from the Frigg system would vary in amount between 500,000 tonnes a year and 1m tonnes a year from the mid-1980s to the end of the century. Such quantities would scarcely be enough to support the setting up of a local ethylene plant based on propane alone, says the report. But there could be sufficient supplies for a long enough period to feed an ethane/propane cracker if it is justified by ethylene demand. The volume of butanes that would come ashore under the GGP scheme—50,000 tonnes a year until the early 1990s rising to a maximum of 400,000 tonnes a year in the mid-1990s but falling away to 50,000 tonnes a year shortly after the year 2000—would not support large-scale petrochemicals production, says the report.

If the feedstock position is hardly as rosy as Mr. Varley painted it less than two years

ago, the market outlook for basic petrochemicals is far gloomier. From 1960 to 1973 the annual growth in ethylene consumption averaged more than 20 per cent for West Europe. Even in the UK it rose by 11 per cent a year. Growth from 1973 to 1985 in Western Europe was projected at 9.5 per cent a year and it was on this basis that the UK industry felt that it could go along with the aspiration of building four new crackers in the UK by 1985.

Such a growth rate has never materialised. Plants in Europe are presently operating at only about 70 per cent capacity. And marketing studies in 1977 showed that by 1985 there could be a need for only about four new plants of 500,000 tonnes a year capacity in the whole of Northern Europe.

As the graph produced by Shell Chemicals UK shows, there is already sufficient ethylene capacity in the UK to meet demand until about 1985, even without the Esso Chemical cracker at Mossburn, and certainly without any additional plants. The latest estimates produced for the petrochemicals sector working party suggest a UK demand rising from 1.18m tonnes in 1977 to 2m tonnes in 1985. This compares with the 1975 estimate of 2.8m tonnes demand by 1985.

The other major strand of the UK's petrochemicals strategy has been to investigate ways of boosting production of the downstream ethylene products, especially plastics.

A report was prepared by the consultants, McKinsey, suggesting ways of improving the UK's penetration of EEC markets based again on major investment in new plants. But the Government has recently admitted to the petrochemicals sector working party that it believes that the continuing recession puts back all the calculations calling for extra investment in new plants by at least a year.

The Government is still anxious to pursue petrochemicals developments with the utmost vigour, which explains the serious attention it gives to any new proposals, including Crumarty Petroleum's latest plans for a petrochemicals complex on its land bordering the Crumarty Firth. This is the site where it appears to have abandoned plans for a refinery. Its plans might appear over-ambitious and even outlandish, but they are guaranteed serious consideration at a time when the UK's overall petrochemicals strategy is beset by major uncertainties.

A chip on our shoulder

From the Managing Director AB Controls and Technology.

Sir, I trust that you will allow me to reply, not only to Dr. Mackintosh (August 3), but also to make several observations on the somewhat contentious National Engineering Board proposal to do a bit of 20th-century piracy!

Obviously, Dr. Mackintosh is absolutely right in his assertion that we need our own integrated circuit industry and all that goes with it. This is not just the point though for having established the need, it is a question of how to fulfil it.

I am sure that many people, Sir Keith Joseph, J. C. Akerman, Sir Arnold Weinstock to name but a few, have gone on record as expressing doubts as to the magnitude of investment actually required. It is highly likely that to establish such an industry will cost several times the NEB's £20m.

What has happened to the Government's principles? How can it in the midst of all its "pip-squeaking", "highly taxing" and "levelling down" policies, subscribe to what is nothing but a flagrant case of exploitation and capitalisation? Is it that their attitudes are changing?

I know that something has gone on record to the effect that the three "w" kids are putting some of their own cash into the venture. What a wonderful situation when one can start a business in our lovely entrepreneurial society and stand to win some tremendous rewards with little risk! There are many like me—not I stress, casting the green eye of envy over the scene—looking genuinely at the ethics and sheer lack of apparent justice of such a situation.

Surely there are many development engineers in our own country worthy of support! "Stop!" Dr. Mackintosh will say. The technology is not here! We are doing it from overseas! So what then is the observation? Simple! Go west young man, acquire some technology at another company's expense and come back to the UK like Sir Francis Drake!

After such a blaze of publicity, what are the American "parent" companies going to do about it? For certain they will not just sit there and give their accord—because they have been somewhat involved in development. I appreciate that most companies—Mitsubishi, Fujitsu, S.G.S. etc. will have some sort of "five year plan" so it was a distinct possibility anyway.

Allen Bennett, Oprence Crescent, Sheffield

Educating engineers

From Mr. R. Headlam.

Sir, I mean that to improve status and standards of engineers, they will have to pass stiffer examinations for qualification, then he doesn't appreciate the real problem. If, however, he intends to encourage the broadening of engineers' education and experience by re-designing the training programmes, then he could expect an upswing in the quality of the profession.

Too often our thinking in education is based on the concept that high examination achievement equates with professional expertise. This is not true. It is the education course itself that diverts the quality of thinking of its students. The examination merely determines the level of absorption and quite often the quality of the memory.

Letters to the Editor

Therefore we should assume that low standards are caused by poor training, indicating that our educators are the main source of the problem.

One should question the description of engineers or professional. What does it mean? Does it mean that you can pass examinations or does it also embrace the quality of thinking processes, which are not always related to the academic degree basis?

In my experience, in the engineering business, many years of which have been in managerial posts, the product presented to us as an engineer is often inadequate in the broad sense and lacks confidence in dealing with those of lesser education but having more experience.

I think that most engineering managers would agree with me that the engineer who came up the hard way via an apprenticeship, HND, or obtained a degree while gaining practical experience, is usually of far more value to the company, despite the deficiencies that he has also experienced in quality of his academic education.

Unless one wants to remain a pure academic engineer, it is essential to obtain a broad education in engineering. Engineering is an intensely practical discipline, demanding innovation, expertise, man management and common sense (mostly common sense) in its professional practitioners.

Therefore it should be accepted by the institutions concerned, that the deterioration of quality is caused by their own inability to design a suitable engineering course for modern requirements. The type of reference bodies and committees, etc., referred to are all very well, but action is required, not talk. Standards and accountability need improving, but let us do it to suit the modern situation, not revert to an arbitrary solution, such as many institutions more difficult, thereby incurring the elitist accusation.

Let us design the product to suit the market.

R. C. Headlam, 31, Dunstons Park, Haverfordwest, Dyfed.

Third world debts

From Mr. R. Mossert.

Sir—With reference to Mrs. Judith Harris' announcement on July 31 that the Government is to "write off" \$900m in loans given to the world's poorest countries, Egypt is mentioned among the beneficiaries with £19m.

May we draw attention to the fact that there are still a number of UK nationals owning blocked accounts in Egypt which have remained frozen and unproductive for the last 22 years.

It would clearly be in everybody's interest that HMG should now acquire these blocked accounts to meet past and future commitments, thus finally resolving this matter which has been in abeyance far too long already, and put these funds to productive use without affecting the balance of payments.

R. V. Mossert, The British Communities Association of Egypt, 20, Montpelier House, Barbican, E.C.4.

The inland waterways

From the Chairman, Inland Waterways Association.

The Director General Ship and Boat Builders National Federation and the Chairman, Association of Pleasure Craft Operators.

Sir, if action is not taken

soon by the Government the national heritage of the inland waterways system may well be lost for ever to the detriment of us all. The Select Committee on Nationalised Industries—in its 1977-78 report—recommended that the Government should publish its recommendations, of which the main ones included the following:

"The Government should publicly undertake to maintain the backlog identified in the earlier Franks Report over the next 12 to 15 years on the scale indicated in the report. British Waterways Board should plan its maintenance programme on this basis."

Any further expenditure on maintenance of the waterways in accordance with the Transport Act 1968, which cannot be met by British Waterways Board, should be met by the Exchequer. The Government should immediately announce its intention to abandon its proposals to merge British Waterways Board into a National Water Authority. The Secretary of State for the Environment should be asked to ensure that the effect of the Select Committee's recommendations.

In the words of the Select Committee, "the British Waterways Board have only been in existence for 15 years. During that time they have been under constant inquiry and threat of abolition, and have been denied the funds to carry out their statutory duties. Despite this they have achieved much, thanks to the unstinting efforts of all their staff at all levels and to the work of countless voluntary helpers. It is your Committee's wish that this inquiry should be the last into the future of the Board for some time. They trust that Parliament will unreservedly endorse their findings, and that the Board will be allowed to get on with their job of administering a great potential transport and amenity asset of the nation."

It seems to us a negation of democracy that an all-party Select Committee's recommendations can be so decisively rejected by a Minister and his department. We plead with all those who have influence with Government and Parliament to press urgently for the implementation of the Select Committee's recommendations.

John Heap, Inland Waterways Association, Tom Webb, Ship and Boat Builders National Federation, John Williams, Association of Pleasure Craft Operators, c/o Boat Building Industry House, Vale Road, Oatlands, Weybridge, Surrey.

TV coverage of industry

From the Head of Science and Features, BBC TV.

Sir—It was good to see Mr. Nicholas Faith's article (August 7) on the extraordinary reluctance of senior businessmen to appear on TV—given that their important role in the country's destiny is now recognised by a growing proportion of TV air-time allotted to the subjects of business and industry.

I would, however, point out that Michael Bakstad and his team on BBC's "The Risk Business" series did succeed in 307, Unbridge Road, Acton, W3.

Women seeking management

From the Honorary Secretary Association of Home Economists.

Sir—Although it is true that women are not occupying vacant managerial positions there is a growing number which sees management as a goal. To these, possibly the biggest barrier is still the climate of opinion—not all employers share William Brew's view (August 4, page 17) that women managers can benefit both employer and society.

His defence of British Institute of Management's attitude to women in management is borne out by the fact that this professional organisation, in which over 95 per cent of its qualified members are women, has recently applied for and been granted collective membership of BIM. We consider that this award of membership is an important step forward in our work, and a considerable encouragement for those of our members who either have achieved managerial status or who are wishing to pursue their careers to this end.

(Miss) Joy Houghton, 307, Unbridge Road, Acton, W3.

Today's Events

Concerts: Glyndebourne Festival Opera and London Philharmonic Orchestra, conductor Bernard Haitink, perform Così fan tutte, Royal Albert Hall, SW7, 7 p.m.

EXHIBITIONS

Henry Moore drawings, Tate Gallery, Millbank, SW1 (until August 28).

"Sir Gilbert Scott centenary exhibition, Print Room Galleries, Victoria and Albert Museum, South Kensington, SW7 (until September 10).

Josiah Wedgwood exhibition, Science Museum, South Kensington, SW7 (until September 24).

SPORT

"F. Benson and Hedges tournament, Fleet Street, EC4, 1.15 p.m.

Henry Wood Promenade Dublin meeting.

Opera

English National Opera production of The Magic Flute, Coliseum Theatre, WC2, 7.30 p.m.

Ballet

Gala Season, with start of world ballet Royal Festival Hall, SE1, 7.30 p.m. (until August 19).

MUSIC

Doom Puh Band, Finsbury Circus Gardens, EC2, noon to 3 p.m.

Caroline Bazelette (soprano), Richard Stuart (baritone), Victoria Locock (piano), St. Olave, Hart Street, EC3, 1.05 p.m.

Opera

Robert Crowley (organ) and Melaine Goddard (contralto), St. Bride, Fleet Street, EC4, 1.15 p.m.

Henry Wood Promenade Dublin meeting.

"Bloody Marvellous... we get a problem you get an opportunity"

Says Lyndon Humphries of Blaenau Gwent.

Life in industrial Wales has never been a soft touch. It breeds men like Lyndon Humphries who can take it as it comes, the rough with the smooth—and spit out the gritty bits. How this special character can help British industry is a matter of record.... FOR MORE THAN 40 YEARS THERE WAS NEVER A MAJOR INDUSTRIAL DISPUTE AT THE EBBW VALE STEEL WORKS!

Lyndon Humphries and his fellows are proud of this record. Although the irony of finding themselves out of work, as the steel industry shrinks, does not escape them. They are typical of the tens of thousands of experienced workers with different skills, resolutely resident in Blaenau Gwent.

What an opportunity for new industries to re-locate to this well favoured region—with one of the best workforces in Europe waiting to welcome them.

Blaenau Gwent is the nearest special development area to London and the Midlands. In addition to its skilled, stable workforce—sites and even fully serviced factories are immediately available.

FINANCIAL INCENTIVES ARE GENEROUS

For a manufacturing industry, advance factories can be rent free for up to five years, a 22% grant is available for new plant, machinery and buildings. For service industries, rent free accommodation is available for up to seven years, plus a grant of £1,500 for each job created plus a further grant for employees moving with their jobs into the area. Concessional loans can be negotiated towards the balance of the cost of a project. This amounts to the best financial package available to industrialists in Great Britain.

So this is the opportunity that is waiting for new industrial development in Blaenau Gwent—a perfect location for work—close to the M4 and M5 motorways. A perfect place to live—surrounded by some of the finest unspoilt countryside in Britain, on the edge of a national park. Send the coupon below to Roger Leadbeter, Chief Executive of Blaenau Gwent, who will be pleased to contact you and discuss your special arrangements.

BLAENAU GWENT opportunity looking for Industry

Roger Leadbeter, Chief Executive, Borough of Blaenau Gwent, Municipal Offices, Civic Centre, Ebbw Vale, Gwent, NP23 5EX. Tel: Ebbw Vale 303440. I am interested in moving to Blaenau Gwent.

Name _____ Position _____

Company _____ Address _____

Lyndon Humphries would like it more widely known that he and his men's established one of the best work records in European industry! There are about 2,000 of them—from the Ebbw Vale Steel Works available now to work for you in the special development area of Blaenau Gwent.



COMPANY NEWS+COMMENT

Automotive Products up 17.8% at halfway

TAXABLE PROFIT of Automotive Products, vehicle components and specialist hydraulic equipment manufacturer, rose 17.8 per cent from £6.3m to £7.41m in the first half to June 23, 1978, and the directors say they continue to expect a satisfactory year's trading.

First-half turnover increased 12.8 per cent from £79.61m to £90.76m. Direct exports expanded from £17m to £21.3m. Net profit went ahead from £3.02m to £3.36m after tax up from £3.27m to £3.58m.

Net interim dividend is raised from 0.88p to 0.75p per 25p share, adjusted for the one-for-two scrip issue announced in April. Last year's total was equal to 1.361953p and was paid on a record pre-tax profit of £13.4m.

Directors say that while domestic original equipment demand has remained firm and in the export sphere both original equipment and replacement parts order intake has achieved planned levels, there has been some softness in the UK replacement parts demand pattern, as wholesalers reduced abnormally high inventories. All evidence now points to this overstocking having been corrected.

On June 30 the company acquired 75 per cent of the capital of each of two related French companies, Société des Usines A. Morinier, an automobile component manufacturer with a plant situated near Orleans, and ERSA, an automotive parts distributor with premises at Courbevoie in Paris.

These new acquisitions will offer an extension to the AP range of products, a manufacturing base in France for original equipment and a developed parts distributing and warehousing organisation through which AP can take advantage of the full aftermarket potential afforded by its growing French original equipment business.

comment

Automotive Products' pre-tax profits are 18 per cent higher and though this growth rate is somewhat slower than that achieved over the previous two years, the group is clearly not suffering like some other UK component manufacturers. For them, the problem has been frictions but AP is not exposed in this area and its important clutch and brake business (AP controls around half the UK brake market and around 85 per cent of the UK clutch market) has continued to do well. UK car production rose by 3.1 per cent in the first half of this year which has helped AP's original equipment sales (just over a third of the total) and exports are 26 per cent higher. Meanwhile, the replacement market seems to have recovered from temporary dealer overstocking. Overall, the group reckons that in volume terms sales were around 3 per cent higher in the current year the group should be on target for £16m (against

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Contra- dividend	Total last year	Total this year
Automated Prods.	0.75	Sept. 29	0.66*	—	—
Aquis Secs.	0.23	Oct. 4	0.23	—	0.67
Wm. Cook	1.09	Oct. 9	1.17	2.09	1.55
Cowan de Groot	1.59	Oct. 9	1.17	2.31	1.72
Davies and Metcalfe	0.25	Oct. 6	0.22	—	0.69
Group Investors	1.18	Oct. 2	1.05	1.9	1.7
William Jackson	5.41	Sept. 28	4.94	5.41	4.84
Mercantile Inv.	0.35	Oct. 10	0.35	—	1.25
Owen and Robinson	10	Oct. 3	2.3	5.34	4.29
Benjamin Priest	4.28*	Nov. 20	0.63	—	1.61
Rentokil	0.72	Sept. 29	3	—	8.46
Shires Inv. Co.	2.89	Oct. 3	2.29	4.33	3.95
Bernard Sunley	2.89	Oct. 3	2.29	4.33	3.95

* Equivalent after allowing for scrip issue. * On capital increased by rights and/or acquisition issues.

£13.6m) but the measly yield of 21 per cent, on the shares at 91p, is likely to hold the shares back.

Rentokil over £5m midterm

ANNOUNCING TAXABLE profits ahead by 25.9 per cent from £4.01m to £5.05m for the first six months of 1978, the directors of Rentokil Group say that the group's business is progressing as planned and they expect a surplus in excess of £10m for the full year, compared with a record £8.53m in 1977.

Half-year group sales rose by 14.7 per cent to £28.68 and comprised, UK home £14.61m (£12.66m), abroad £13.53m (£10.38m) and overseas £13.53m (£11.97m). Pre-tax profits were split as to: UK £3.26m (£2.47m) and overseas, £1.79m (£1.34m) and subject to UK tax of £1.99m (£1.28m) and overseas tax of £0.77m (£0.68m).

The directors say they hope to take advantage of the recent change in dividend controls, which under certain conditions now allows dividends to be increased by more than 10 per cent, and accordingly an interim payment of 0.75p (0.63p) net is to be paid—last year's final was 0.881p.

An extraordinary credit of £288,000 (£23,000 debit), comprises a net exchange surplus (deficit) arising from the translation into sterling of net assets overseas and liabilities denominated in foreign currencies. Retained profits for the period increased from £1.42m to £2.10m.

The group acts as a specialist in timber preservation, pest control, damp proofing, thermal insulation and industrial hygiene.

comment

Rentokil's strong UK profits growth has been maintained in the first half after last year's impressive 38 per cent leap. All main UK divisions shared in the improvement, including buildings

to £93.34m compared with £78.74m in the previous year. Earnings are shown at 30.9p (37.5p) per 50p share, and the dividend is stepped up from 4.842p to 5.407p. The company has "close" status.

Turnover Profit before tax Taxation Net profit Attributable

53 weeks 1977-78 1976-77

£2,338,516 £1,742,477

£1,343,339 £1,009,473

£67,914 £64,389

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CSO raises gems 30% and ends surcharges

interest the next sight on August 21 to see how well the latest price increase is accepted, particularly in regard to anticipatory buying for the U.S. Christmas trade which accounts for about 20 per cent of diamond sales there; total U.S. sales account for 50 per cent of all gem purchases.

Also eagerly awaited are the 1978-79 U.S. and international dividend of De Beers which are due to be published on August 25. Following the latest gem price increase news the deferred shares rose 22p to a 1978 high of 424p in London yesterday; they have come up from 285p this year.

Mining and Smelting, a member of the Anglo American Corporation, reports half-year revenue of C\$1.32m (US\$2,000) after extraordinary items. This compares with C\$1.54m a year ago. Revenue in the latest period was affected by the lower volume of gas taken by the company's major gas purchaser in Western Canada. Gas production and revenue are expected to improve later in the current quarter.

Hudbay, a privately owned-owned company, reports that consolidated net earnings in the first half of C\$4.2m compared with C\$5.11m in the same period of last year. The company's Indonesian production has declined from the peak achieved in the first half of 1977 but it still averaged 71,000 barrels a day in the past six months, well above expected levels.

PETALING TIN—July output of tin 136 tonnes (June 125.5 tonnes).

SAINT PIRAN—Production of tin concentrates for July: United Kingdom (tonnes) (revised) 15 560, 160 tonnes (70 per cent tin metal), June 211 tonnes; Malaysia 35 tonnes (June 26 tonnes); Thailand 105 tonnes (June 96 tonnes).

	1977-8	1976-7	* The profit and turnover for the Footwear Shops were records with increases of 18.6% and 15.6% respectively.
Turnover	£22,513,334	£18,506,008	
Profit before tax	2,230,214	1,886,520	* The profit and turnover for the Motor Trade were also records with increases of 16.3% and 33% respectively.
Profit after tax	1,060,382	940,751	
+Extraordinary item	113,897	414,051	* During the year we opened three new branches, re-located two and considerably extended another one. Two were closed. Plans are currently in hand to open six more.
Ordinary and 'A' Ordinary Dividends	2.132p	1.3948p*	
Earnings per share	3.68p	3.27p	* The turnover for the first ten weeks of the current year has shown an increase of 23% for footwear trading and 27% for motor trading.
+Surplus on sale of properties			
*Adjusted for scrip issue			

- * A difficult year for Textiles but better prospects for the current year
- * A return to profitability of the Timber & Kitchen Furniture Manufacturing Units
- * Developments in the Weaving & Bedroom Furniture Manufacturing Units.

Summary of Results	1977/78	1976/77
	£	£
Turnover	11,796,827	11,715,946
Profit before taxation	435,563	503,909
Profit after taxation	191,021	243,472
For each ordinary stock unit		
Earnings of	4.1p	52p
Dividend of	2.4579p	2.201131p
	per unit	per unit

Copies of the Report and Chairman's Statement may be obtained from:
The Secretary, Cawdaw Industrial Holdings Limited,
Cawdaw House, Lower Broughton Road, Salford M7 9FX

Since the contributions are fixed as a percentage of salary the employer is not committing himself to an unknown future liability for financing costs. The ultimate responsibility depends solely on the investment performance of Scottish Equitable.

Mercantile Investment

From total income of £3,202,578 against £2,958,752, available net revenue of Mercantile Investment fund advanced from £1,078,245 to £1,349,149 for the half year to 31.3.1979.

Revenue was struck after management expenses of £139,446 (£168,567), debenture and other interest, £1,018,253 (£1,077,151) and £778,094 (£822,512).

The net interest dividend is kept at 0.55p per 50p share—the previous year's final was 0.5p from £1.40m net revenue.

After deducting expenses, assuming conversion of convertible debenture stock and after deducting prior charges at redemption prices, is shown at 69p (£75p) per share.

After deducting prior charges at market prices, at 62.5p (£51.5p).

The value of the assets being acquired, which consist of a freehold property as valued by the directors of MFI, and cash

197

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man's Statement may be obtained from
Held Limited,
ton Road, Salford M7 9FX

INTERNATIONAL FINANCIAL AND COMPANY NEWS

NORTH AMERICAN NEWS

Modest gain in earnings at Tenneco

By David Lascelles

NEW YORK, August 8. TENNECO, the Texas energy group which is in the process of acquiring Albright and Wilson, today reported a modest increase in earnings for the second quarter of this year. Net income was \$118.3m or \$1.08 a share, compared with \$106.5m or \$1.03 a share on revenues of \$1.9bn in the same period last year.

Net earnings for the first six months were \$228.4m or \$2.24 a share, compared with \$224.2m or \$2.24 a share on sales of \$4.2bn, against \$211.7m or \$2.05 a share on sales of \$3.7bn previously.

According to Mr. James Ketelsen, chairman and chief executive officer, five of the company's eight major lines of business showed improvements in operating income during the quarter: integrated oil, natural gas pipelines, construction and farm equipment, automotive and chemicals. A bigger contribution also came from Philadelphia Life Insurance Company which Tenneco absorbed in March.

The implication is that Tenneco's shipbuilding division, its acknowledged weak point, has not performed well. The company's other areas of business include farming and food.

Boeing results disappoint

By Our Own Correspondent

NEW YORK, August 8. BOEING COMPANY appeared to have disappointed some of its investors yesterday, despite reporting a 37 per cent rise in net income during the second quarter.

The leading U.S. aircraft manufacturer has been one of the New York Stock Exchange's most strongly appreciating stocks this year, having travelled from around \$34 in March to \$75. There was some buying in anticipation of the quarterly results, which failed, however, to satisfy the market, and the company's stock closed at \$68, down \$3 on the day.

Some analysts had been projecting second quarter earnings of around \$2.15 per share, and on the surface the selling of the stock seemed largely explained by actual earnings of \$1.82 a share or \$77.5m net. The comparable figure last year was \$1.23 a share or \$56.4m on sales of \$1.2bn. The year's quarterly sales totalled \$1.4bn. Boeing's half year earnings were up 45 per cent to \$122.7m or \$2.58 a share on sales of \$2.4bn.

National Airlines files charges against TXIA

BY JOHN WYLES

NEW YORK, August 8.

NATIONAL AIRLINES today threw off all its previous reticence on the subject of Texas International Airlines' (TXIA) bid for control, and filed a series of accusations with the Civil Aeronautics Board and the Securities and Exchange Commission.

National's decision to move to the offensive follows the CAB's announcement that it would try to move quickly on TXIA's application to seek control of National. An administrative law judge is being appointed to hold hearings on the application, while the CAB itself is to discuss issues which it raises on August 17. Until the CAB announcement at the end of last week, National had pursued a muted approach to the assumption, many observers believe, that the CAB

would be in no hurry to pursue the case at the same time as a deregulation bill affecting possible airline mergers is moving through Congress.

However, in its filing to the CAB, National alleges that TXIA committed various breaches of the Federal Aviation Act in building up its current 9.2 per cent stake in the larger airline. National urged the CAB to defer TXIA's application until the violations are rectified. In addition, National has asked that before any proceedings get under way, TXIA be required to spell out its plan to gain control of National "because of the complete vagueness of TXIA's statements to date."

National also wants any eventual CAB hearing to focus on the effects of a merger on airline

competition and on the public interest. Examination should also be made, said National, of TXIA's plans to raise \$25m in foreign capital to help finance its takeover.

Before the SEC, National is challenging the status of Jet Capital, TXIA's controlling shareholder. National appears to be arguing that Jet Capital is an investment company under the terms of a 1940 Act, which could prevent further acquisition by TXIA of National stock. National also alleges that TXIA's financial statements are not in conformity with generally accepted accounting principles and that TXIA has misled investors in its plan.

IC gains controlling interest in Pet

CHICAGO, August 8.

IC INDUSTRIES' protracted takeover bid to acquire Pet Incorporated, the food processing group, is now virtually completed. At one stage Pet bitterly contested the takeover but finally agreed to an increase offer of \$55 a share in late June.

The takeover offer officially expired yesterday and the company said today it has received about 95 per cent of the outstanding Pet common stock and unissued common stock reserved for Pet's conversion preferred stock by the terms of its charter.

IC Industries said the tender offer by a subsidiary for all outstanding shares of Pet has been extended until August 21. Reuter

Italian banks agree plan to rescue Liquichimica

BY PAUL BETTS

ROME, August 8.

A CONSORTIUM of leading Italian banks and special credit institutes today approved a rescue plan for another financially troubled Italian chemical group, Liquichimica, which is currently threatened with bankruptcy.

Following a meeting with Sig. Filippo Maria Pandolfi, the Treasury Minister, and Sig. Paolo Baffi, the Governor of the Central Bank, the credit institutes agreed to advance immediately some Lire 300m (about \$38m) to enable the company to resume its activities at four of its plants. The banks also agreed today to advance a further Lire 150m to Liquichimica.

Liquichimica's crucial meeting, the banks said that they would consider proposals next month for the financial rescue of the entire Liquigas group. Liquigas is the parent company of Liquichimica.

Meanwhile, the banks, which include Banca Nazionale del Lavoro and ICIPI, said they would grant a moratorium on the group's outstanding debts. Last week, another banking consortium granted the ailing Società Italiana Resine (SIR) chemical group some Lire 400m to prevent its collapse.

The salvage measures followed the Cabinet last week to aid financially troubled companies. The bill encourages the setting up of banking consortia to rescue companies in dire financial difficulties, and enables the government to take temporary control of a company in the event that no alternative rescue plan is approved.

In a related development, the giant Milan-based chemical conglomerate Montedison is now understood to be finalising the sector.

nationalisation programme for its heavy loss-making synthetic fibres sector.

The plan involves the merger and rationalisation of the fibres activities of Montedison, Montedison's main textile and fibres subsidiary, and Sella Viscosa, in which Montedison holds the single largest stake of 29 per cent.

The merger of Montedison and Sella Viscosa fibres activities is likely to be followed eventually by the creation of a new fibre concern grouping the fibres activities of state-controlled enterprises. This would leave Italy with two fibres groups, one controlled by the state and the other, in theory at least, in view of Montedison's complex mixed state-private nature, in the private sector.

Good season for Deere

MOLINE, August 8.

LAST SPRING'S sharp upturn in farm commodity prices resulted in a good selling season for Deere Company's farm equipment, Mr. William A. Hewitt, chairman and chief executive, told reporters.

"Our field inventories are on the low side of normal and in excellent shape," he said. "That bodes well for our 1979 production." Mr. Clifford L. Peterson, senior vice-president, agreed with analysts' estimates that Deere's net income for the fiscal third quarter ended July 31 was "about the same" as the \$77.1m or \$1.25 a share in the comparable quarter. Sales he said were up in the 10 per cent area from the previous year's \$1.01bn.

The flat earnings were attributed to sizable foreign currency translation losses—20 per cent of sales are outside the U.S.—Deere's stepped-up capital spending programme and a less favourable product mix.

Industrial equipment accounts for about 20 per cent of Deere's business and that is increasing, but profit margins on industrial equipment are lower than on farm equipment. In the first half ended April 30, Deere reported net income of \$136.9m or \$2.26 a share, up from \$132.2m or \$2.20 a year earlier. Sales rose to \$1.91bn from \$1.83bn.

Canadian Marconi owned by GEC of the UK, says shipments in the current year should show a significant increase because of better orders, writes Robert Gibbens, Operating earnings should remain on an upward trend. The backlog at March 31 year-end was a record \$370m.

Meanwhile Canadian Pacific Investments (CPI) said that demand for most products except zinc and gas is expected to remain strong, "and in the case of zinc indications of a turnaround are growing." Agencies report.

CPI said that the strike at Algoma Steel and the outcome of labour negotiations at Great Lakes Paper may significantly affect the results of those operations.

CPI said earnings from oil and gas, iron and steel, real estate and forest products were higher in the half and the only significant decreases were in results of metal mining and hotels.

Net earnings of the entertainment group Teleprompter for the first six months of the year advanced from 17 cents to 20 cents, while Timmers and U.S. exploration concern Louisiana Land Offshore Exploration eased from 23 cents to 21 cents.

For the third quarter, net earnings of the utility Peoples Gas rose from 83 cents to 92 cents.

Agencies.

Also for the second quarter, insurance holding company Jefferson Pilot rose from 78 cents to \$1.01, the interior

Profits rise at George Weston

By Robert Gibbens

MONTREAL, August 8.

GEORGE WESTON, the big Toronto-based supermarket and food processing group, had operating earnings of \$31.8m in the second quarter against \$24.5m, equal to 95 cents a share against 75 cents. Revenues were \$1.19bn against \$1.08bn, but profit margins on industrial equipment are lower than on farm equipment.

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HK and Shanghai sale

Hongkong and Shanghai Banking Corporation, whose proposed merger with Marine Midland Bank of New York is currently under scrutiny by the New York State and Federal authorities, has sold off its Californian unit, Hongkong Bank of California to Central Bank Systems for around \$20m, writes David Lascelles from New York. The sale is an important step towards the merger with Midland, since it was required under Federal banking regulations which forbid a bank holding company to hold banks in more than one State.

Del Monte concern

Del Monte, the largest U.S. fruit and vegetable canner which last week received a \$456m takeover offer from R. J. Reynolds, the diversified tobacco company, last night expressed concern about the "unsolicited" bid and said management and outside counsel had been instructed to investigate it, writes David Lascelles. If the investigation concludes that the offer is in the best interests of the company, Del Monte said it would take all appropriate action to oppose it. The company also said that Reynolds' August 15 deadline for its offer would be impossible to meet.

Grand Union offer

Grand Union, via Grand Union Holdings, a wholly-owned subsidiary, has commenced the previously proposed tender offer to acquire all outstanding shares of common stock of Colonial Stores at \$35 per share net in cash, reports AP-DJ from Elmwood Park, NJ.

Cutler-Hammer

Eaton Corporation, the transport equipment group, has concluded its tender offer for Cutler-Hammer, which makes control devices after receiving about 1.9m Cutler-Hammer shares or around 30 per cent of the outstanding stock, reports AP-DJ from Cleveland. Eaton previously purchased 2.1m shares from Tyco Laboratories' giving the company a total of about 63 per cent of the 4.1m shares outstanding. About 21 per cent of Cutler-Hammer stock, held by Koppers Co., was not tendered.

Corroon and Black

Corroon and Black, the insurance brokers, said the previously announced acquisition of Calne Estate Insurance Agency of Greenville was completed for cash, AP-DJ reports.

SELECTED EURODOLLAR BOND PRICES

MID-DAY INDICATIONS

STRAIGHTS	Bid	Offer	STRAIGHTS	Bid	Offer
Alcan Australia 5 1/2pc 1980	97 1/2	98 1/2	Finance for Ind. 10pc 1980	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1981	97 1/2	98 1/2	Finance for Ind. 10pc 1981	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1982	97 1/2	98 1/2	Finance for Ind. 10pc 1982	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1983	97 1/2	98 1/2	Finance for Ind. 10pc 1983	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1984	97 1/2	98 1/2	Finance for Ind. 10pc 1984	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1985	97 1/2	98 1/2	Finance for Ind. 10pc 1985	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1986	97 1/2	98 1/2	Finance for Ind. 10pc 1986	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1987	97 1/2	98 1/2	Finance for Ind. 10pc 1987	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1988	97 1/2	98 1/2	Finance for Ind. 10pc 1988	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1989	97 1/2	98 1/2	Finance for Ind. 10pc 1989	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1990	97 1/2	98 1/2	Finance for Ind. 10pc 1990	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1991	97 1/2	98 1/2	Finance for Ind. 10pc 1991	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1992	97 1/2	98 1/2	Finance for Ind. 10pc 1992	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1993	97 1/2	98 1/2	Finance for Ind. 10pc 1993	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1994	97 1/2	98 1/2	Finance for Ind. 10pc 1994	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1995	97 1/2	98 1/2	Finance for Ind. 10pc 1995	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1996	97 1/2	98 1/2	Finance for Ind. 10pc 1996	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1997	97 1/2	98 1/2	Finance for Ind. 10pc 1997	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1998	97 1/2	98 1/2	Finance for Ind. 10pc 1998	94 1/2	95 1/2
Alcan Australia 5 1/2pc 1999	97 1/2	98 1/2	Finance for Ind. 10pc 1999	94 1/2	95 1/2
Alcan Australia 5 1/2pc 2000	97 1/2	98 1/2	Finance for Ind. 10pc 2000	94 1/2	95 1/2

EUROBONDS

Chase issue off to good start

BY MARY CAMPBELL

THE Chase Manhattan D-Mark issue started trading yesterday much better than most had dared to expect, opening at a discount of approaching two points. It ended the day quoted by the lead manager, WestLB, at 97 1/2-98, a discount of 1 1/2 points on the bid side.

Exactly why this should have been was not clear yesterday, although the sentiment in the D-Mark sector generally was better.

The Swedish Statoil is reported to be planning a DM 150m issue of at least 10 years maturity.

In the dollar sector, prices of straight bonds were again firm in two-way business. Sterling bonds moved up by about 1/2 of a point on average. The recent weeks' improvement puts a few of these bonds within striking distance of the prices at which

Deutsche Bank lifts profits

BY GUY HAWTIN

FRANKFURT, August 8.

DEUTSCHE BANK, West Germany's largest commercial bank, raised its operating profits by 10 per cent during the opening six months of 1978, while business volume ran at some 16 per cent above last year's average.

After today's annual general meeting, the bank said that it would consider proposals next month for the financial rescue of the entire Liquigas group. Liquigas is the parent company of Liquichimica.

Commission earnings on services increased by 10.4 per cent, the rise being mainly attributable to increased profits in international business, as well as trade in securities. They went up from a 1977 six months' average of DM 285.4m to DM 328.2m.

The improved earnings were based on the increase in business volume, which served to offset a decline in interest margins. Interest income went up by 5.9 per cent from a 1977 six months' average of DM 971.9m to DM 1,038m.

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Trading on the bank's own account also helped to boost operating profits. At the same time foreign exchange and precious metals trading was up on last year's half-yearly average.

In the bank's credit business with commercial customers, actual growth was stronger than indicated by volume because a number of loans to finance public authority budget deficits had reached maturity. Demand for private credit stimulated by the car boom, was also lively. Personal credit increased by 11 per cent to over DM 3.5bn.

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

Currency, Money and Gold Markets

Loan for Taiwan Power shelved

By Francis Guller

THE BULK of the proposed \$300m eight-year loan for Taiwan Power Company has now been effectively cancelled, international banking sources said yesterday. It was shelved last week pending solution of a dispute between Taiwanese government officials and the lending banks.

It was a package of two loans—one of \$99.75m managed by Bank of America and the other of \$200m managed by Chase Manhattan Asia, Citicorp International, Citicredit Asia and Morgan Guaranty. The smaller loan had been agreed in principle a matter of years ago and is going ahead on the terms agreed earlier this year.

But there is understood to be very little chance of the \$200m being resuscitated, at any rate in a form involving the original four managers.

The proceeds of this loan (which carries a spread of 3 per cent and a commitment fee of 1 per cent) are earmarked to finance part of the cost of Taiwan's third nuclear power station. The loan is part of a package which also includes Eximbank Credit.

The second loan, amounting to \$200m, was to have been managed by Chase Manhattan Asia Ltd, Citicorp International, Citicredit Asia and Morgan Guaranty.

The banks had agreed with the borrower on the terms of the loan: a 10 per cent spread for eight years and a commitment fee of 1 per cent. But after the banks had syndicated the loan, the Taiwan Ministry of Finance insisted that the terms should be improved or that the state guarantee be waived.

The banks refused and the loan has been withdrawn from the market. The \$300m, nine-year loan carrying a spread of 3 per cent for the New Zealand Offshore Mining Company, has been signed.

Olivetti rights

OLIVETTI will offer 9.5m shares on the Milan bourse from August 25, reports Reuters from Ivrea. They represent just under a quarter of the 40m rights issue not taken up by shareholders. A banking consortium has guaranteed to take them up if they are not sold to the public.

PUK sales ahead

A modest increase in sales for the first half of 1978 is announced by Pechiney Ugine Kuhlmann the French aluminium and chemicals group, agencies report.

For the six months sales are 2 per cent ahead at FF 14.4bn (\$3.3bn). But the performance masks some sharp growth among the group's individual sectors, notably light alloys where turnover emerged a full 11 per cent ahead at FF 2.9bn.

Sales in Pechiney's major division—metals—declined by 1 per cent in the six months to FF 6.2bn where they accounted for 43 per cent of total turnover.

Australian papermaker in bid for trading group

BY JAMES FORTH

AUSTRALIAN PAPER Manufacturers, the country's largest paper, paperboard and pulp group, has joined the takeover activity here with a bid of over \$18m (U.S.\$17.4) for the import-export and trading group, Brown and Dureau.

Brown and Dureau has itself been an active buyer of companies in recent years. Last month the company announced a \$2.7m offer for the automotive parts group Angus Hill Holdings.

Only weeks after bidding for the local offshoot of the UK tool and equipment group, Spear and Jackson Holdings for \$22m. Earlier this year, Brown and Dureau acquired another automotive parts group, Luky Motors, for about \$4m.

APM has already agreed, substantially to broaden APM's existing diversification activities. The Board intended that in due course Brown and Dureau would operate as an autonomous business entity.

Only last month, APM sold its controlling 42 per cent interest in the timber group, Duncan's Holdings, for \$1.4m to Adelaide Steamship Company, which is now seeking to acquire the remainder of Duncan's.

Mr. Joss and his family are currently involved in a \$2.5m bid for 60 per cent of the investment shares of Brown and Dureau. The directors of APM said that they considered Brown and Dureau had excellent prospects for future growth, and would

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SYDNEY, August 8.

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West German mark firm

BY JAMES FORTH

THE West German mark rose to 0.67c and six-month weakened to a record level against the dollar 2.52c compared with 2.57c on Monday.

The Japanese yen showed little movement and improved against the dollar to 187.30 from 188.80.

The D-mark improved more than most. Although the fundamentals affecting the dollar have remained unchanged, the D-mark's sharp appreciation has not created a great deal of surprise as speculative interest has been switched to other currencies.

At one point, the D-mark touched DM 1.9655 while the Swiss franc continued to improve to Sfr 1.6925 after a best of Sfr 1.6875 and Monday's close of Sfr 1.6875.

The dollar fell below its closing level on Monday but finished the day on around its best level. Trading was quiet with most attention being focused on the West German mark and the Swiss franc. The dollar closed at FF 4.4350, above the day's low of FF 4.4350 but below Monday's level of FF 4.4375.

The dollar closed at FF 4.4350, above the day's low of FF 4.4350 but below Monday's level of FF 4.4375. The Swiss franc rose to Sfr 1.6925 from Sfr 1.6875 while sterling was quoted at FF 4.4375 on Monday last further ground against the yen and closed at 187.35 compared with 188.80 on Monday. Yesterday's weaker trend was probably prompted by the U.S. currency's weaker performance against the Swiss franc and the West German mark, where in late New York trading it fell through the DM 2.0 level.

The dollar touched 188.80 at one point and the Bank of Japan was reported to have been buying dollars in the open market during the day. Turnover was fairly heavy in the spot market and swap trades accounted for much of the activity.

MILAN—In fairly light trading the dollar continued to weaken against the lira, in reaction to the strength of the West German mark. The dollar fell to 1,337.25 compared with Monday's fixing of 1,339.65. There was no detectable intervention by the Bank of Italy. Elsewhere the dollar traded slightly easier.

EXCHANGE CROSS-RATES

Aug. 8	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Spanish Peseta	Portuguese Escudo	Belgian Franc	Irish Punt	Portuguese Escudo
1.00	1.934	0.517	1.934	1.934	1.934	1.934	1.934	1.934	1.934	1.934	1.934	1.934	1.934

EURO-CURRENCY INTEREST RATES

Aug. 8	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German Mark	French Franc	Italian Lira	Asian \$	Japanese Yen
12 months	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2	11 1/2

The following nominal rates were quoted for London dollar certificates of deposit. One month 7.30-8.00 per cent; three months 8.10-8.20 per cent; six months 8.30-8.50 per cent; one year 8.50-8.75 per cent. Long-term Eurodollar deposits: two years 9.40-9.60 per cent; three years 9.40-9.60 per cent; four years 9.50-9.70 per cent; five years 9.60-9.80 per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars and Canadian dollars; two days' notice for guilders and Swiss francs. Asian rates are closing rates in Singapore.

THE POUND SPOT

THE POUND SPOT				FORWARD AGAINST £			
	Aug. 8	Bank Inter- est	Day's Spread	Close	One month	Three months	Six months
U.S. \$	71 1/2	1.5655-1.5665	1.5655-1.5665	1.5655-1.5665	0.70 0.68 1/2	4.03	4.04 1.88 1/2
Canada \$	9	2.2880-2.2890	2.2880-2.2890	2.2880-2.2890	3.48	3.48	3.48 1.80 1/2
Guilder	40	4.16-4.20	4.16-4.20	4.16-4.20	22-1/4 1/4	6.48	5.4 1/4 1/2
Belgian Fr.	100	6.55-6.59	6.55-6.59	6.55-6.59	20-1/2 1/2	2.97	4.30 1/2 1/2
French Fr.	100	10.54-10.58	10.54-10.58	10.54-10.58	20-1/2 1/2	2.97	4.30 1/2 1/2
D-Mark	10	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
Port. Esc.	200	10.54-10.58	10.54-10.58	10.54-10.58	20-1/2 1/2	2.97	4.30 1/2 1/2
Spain. Pes.	166 2/3	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
Lira	1,000	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
Irish Punt	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
Japanese Yen	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
Swedish Kr.	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
Swiss Fr.	20	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
Austrian Sch.	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
German Fr.	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
Belgian Franc	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
French Franc	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
German DM	10	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
Japanese Yen	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
Swiss Fr.	20	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
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Belgian Franc	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
French Franc	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
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German Fr.	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
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Austrian Sch.	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
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Belgian Franc	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
French Franc	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
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Belgian Franc	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
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Belgian Franc	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
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Austrian Sch.	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
German Fr.	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
Belgian Franc	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
French Franc	100	1.94-1.98	1.94-1.98	1.94-1.98	15-1/2 1/2	3.97	6.72 1/2 1/2
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FARMING AND RAW MATERIALS

U.S. sugar Bill makes progress

WASHINGTON, August 8. THE U.S. Congress agriculture committee has approved a five-year sugar support programme, which would give domestic producers a starting price guarantee of 16 cents a pound.

A motion to send the programme Bill to the full House for action was carried by 37 votes to seven.

The committee's Bill originally called for a 17 cents support price, but proponents scaled that down to 16 cents in the hope of smoothing the scheme's passage through the House and making it possible for the Government to accept the measure.

The Administration had said that President Carter would veto a Bill containing a 17 cents support price.

Representative Paul Findley, who opposed the measure, argued that the support level would probably return very close to 17 cents in the course of compromise with a Senate Bill, yet to be developed.

He was sure "the Senate will insist on a level of 17 cents or higher. The conferees will compromise on a price just a whisker under the 17 cents which President Carter has said he will veto."

"That whisker will protect him from following through on his veto threat, and get the Administration off the hook," he said.

Before passing the Bill, the committee deleted a section which would have exempted from its quota provisions sugar destined for use in livestock and pet food.

Reuter

Peru may cut copper shipments

LIMA, August 8. PERU is considering declaring force majeure on copper shipments because of a strike by miners, according to Minerio-Peru.

The smelter and refinery complex at La Oroya was at a standstill and consequently production was seriously reduced. Sr. Dante Brancaccio, director general of Minerio-Peru, said here.

"Our clients will be informed in due course," he added.

Reuter

Britain refuses to lift potato import ban

BY CHRISTOPHER PARKES

THE GOVERNMENT has refused to obey a Common Market Commission instruction that it should lift its ban on imports of main-crop potatoes and lay the domestic market open to shipments from the UK's Community partners.

It now faces legal action in the European Court of Justice, probably in September, which could force a change of policy.

However, at the same time as this Government snub to Brussels, the Ministry of Agriculture announced a £22m national support scheme for the potato market here which should ensure that British growers' prices will be protected regardless of the outcome of the court case.

After a protracted exchange of opinions between London and Brussels, the Commission told the Government on July 7 that it had one month in which to lift its ban.

Whitehall's riposte, sent off yesterday, said that Britain stood by its argument that in the absence of a "common" market, the right to continue operating its own potato market scheme.

Any relaxation of the import controls could be disastrous for farmers who are currently lifting bumper potato crops. Production has been boosted by heavy rain during the recent critical weeks and an unusual absence of disease.

Decline in UK sows halted

BY OUR COMMODITIES STAFF

THE DECLINE in the number of breeding sows on UK pig farms appears to have ended, the latest Livestock Commission reports.

While numbers are climbing rapidly in Northern Ireland, however, there is little evidence that expansion has started yet in mainland Britain.

Working without the benefit of the Ministry of Agriculture's June census figures, the commission suggests that in view of the tendency over the past 12 months for farmers to keep more young females on their farms and also the cut in the number of mature sows being slaughtered, some expansion can be expected.

Reuter

As things stand the eventual potato surplus this season could be about 500,000 tons or more. Officials estimate that supply last year exceeded demand by 250,000 to 300,000 tons.

Market prices have been down as low as 25s a ton in recent days, compared with the official guaranteed price of £44.64 a ton.

Full details of the new market support scheme have yet to be worked out, although the Potato Marketing Board is being pressed to distribute the information to registered growers within the next 10 to 15 days.

The board will approach all farmers on its books with a specific offer to buy about 10 per cent of their total crop. They will be able to take up the offer or leave it, and the Ministry expects to have a clear idea of the tonnage of potatoes under its control by October. By then it should also have a fairly accurate estimate of the total harvest.

Ministers made it plain yesterday that they were leaving their options open. If further support were needed, it might be introduced later in the season. The long-term support provided in case the other measures fail will be to subsidise the cost of transporting potatoes to the market.

Any relaxation of the import controls could be disastrous for farmers who are currently lifting bumper potato crops. Production has been boosted by heavy rain during the recent critical weeks and an unusual absence of disease.

Brazil soya crop estimate reduced

BY OUR COMMODITIES STAFF

120,500 tonnes, mainly because New Zealand increased its trade with alternative markets, notably Japan and the U.S.

Although New Zealand's lamb production was expected to rise this year, overall exports to Britain would remain unchanged.

Reviewing the beef market, the commission reports that total supplies rose during the first half of the year as home production and imports increased. Exports rose only slightly.

Domestic output was expected to rise in the second half of the year, however, and imports could also be lower.

The total cost of the basic buying scheme for the surplus may be about £22m. Of that, £15m would come from the Treasury and the balance from the special reserves held by the potato board and built up with farmers' contributions.

The support action is not expected to have much impact on retail prices. They should settle at about 5p a pound on average, compared with 4p at present, officials claim. Green-grocers may have to absorb some reduction in their margins.

Shop prices at present are not reduced, the recent sharp fall in farm-gate returns on potatoes in the past few days, however, farmers' prices have improved.

If the current glut—mainly early varieties—can be cleared from the market, growers of winter crops will be able to raise their plantings considerably this year.

In the meantime, the Council of Agriculture Ministers will continue its discussions on the establishment of a Common Market regime for potatoes.

The Potato Marketing Board, which will administer the support programme, welcomed the Ministry announcements and hoped that the action would raise prices from "unsatisfactory" levels and unnecessarily low crops during the season and the winter.

Upturn in coffee market

By Richard Mooney

COFFEE PRICES moved sharply higher on the London futures market yesterday, after a week of very quiet trading.

The recent depressed tone of the market was continued in early trading, with the November quotation slipping 220 lower, but modest roaster buying was attracted at the bottom and prices began to recover.

Talk of producer price support accelerated the rise and by the close November coffee was standing at £1.1865 a tonne—up 550 on the day.

Some dealers thought the price rise was encouraged by news that Mexico had reopened coffee export registration. It has none so, however, at a minimum price of 130 cents a kilo, which is well above the level ruling when Mexico suspended exports on June 1.

A warning that coffee rust disease is spreading in Nicaragua may also have influenced market sentiment. The disease has been confined to the past two years, but is now reported to be moving north towards the rich coffee lands of the Managua Sierras.

The Nicaraguan Government has been complaining for some time that its Central American neighbours have not given the assistance they promised to help eradicate the disease.

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Reuter

KENYAN AGRICULTURE

Expansion plans for fly-killer flower

BY OUR NAIROBI CORRESPONDENT

PYRETHRUM GROWING in Kenya, the world's major producer, has been falling back badly in the past few years, due to a combination of factors such as a shortage of heavy rains in the growing areas, the replacement of old land with new high content material and poor incentive prices paid to the growers.

World markets can take at least 15,000 tons a year of this natural insecticide from Kenya. This total was achieved in 1974-75, but since then output has dropped to 14,000 tons in 1976 and to an all-time low of 11,430 tons last year, which nevertheless brought in £17.5m in foreign exchange.

Kenya's Pyrethrum Board is now making plans to revive the industry, which has always been high on the list of Kenya's agricultural priorities. Large new planting areas are being opened up, better crop management fostered and better producer prices offered.

The Board's target is to produce 18,500 tons at least next year, and to add another 2,000 tons by the end of the decade.

Kenya produces what it believes is the best pyrethrum in the world. Its main markets are the U.S., the EEC, Australia and South-East Asia.

Competition from artificial insecticides is keen, but the pyrethrum men believe the natural product will always have a market.

Environment

Kenya produces what it believes is the best pyrethrum in the world. Its main markets are the U.S., the EEC, Australia and South-East Asia.

Competition from artificial insecticides is keen, but the pyrethrum men believe the natural product will always have a market.

Bigger Australian sheep flock forecast

MELBOURNE, August 8.

615m kilos in the 1978-79 season would see a continued erosion of their terms of trade as costs rose faster than prices over the next 10 years, he said.

Considerable importance had to be placed on reducing costs as prospects for higher productivity were not good. Synthetic fibre output was expected to continue well in excess of demand, resulting in a highly competitive fibre market, he continued. The textile industry's growth rate would be about half that of the 1960s.

Reuter

edge over chemical insecticides—especially in these days of environmental concern. World demand for the natural product is increasing.

In Kenya, pyrethrum was once grown on large plantations, but in recent years it has tended to become a small man's crop.

There are about 70,000 acres devoted to the crop which supports some 100,000 people, many linked to co-operatives. An acre or two devoted to pyrethrum is quite common.

The original seed was sent to Kenya in 1929 by the plant pathology department of the British Ministry of Agriculture. Since then, pyrethrum growing has become a big industry. The Pyrethrum Board operates a processing factory at Nakuru, the heart of the growing area, a laboratory to analyse the flowers and their extracts, and a plant-breeding station.

In the hunt for new areas of development, forest workers, hitherto allowed to grow only subsistence crops, are to be recruited into pyrethrum production. If the land is needed for afforestation the plants can be transplanted after three years.

The little white pyrethrum flowers, which belong to the chrysanthemum family, grow well along the sunny hillsides of the Rift Valley and on the slopes of Mount Kenya, where rain is plentiful and night temperatures are low. Other areas, however, are being opened up, however, and now Kisumu, the west, produces about 60 per cent of Kenya's output. The best altitudes are from 6,000 to 9,000 feet.

Co-operatives

After delivery to the Nakuru factory the flowers are ground and sifted to a coarse powder. Liquid extracts are made by the application of solvents which, when refined, produce a high-quality concentrate used in aerosol sprays. Flowers are also ground to a superfine powder used in the manufacture of mosquito coils.

Pyrethrum growing is one of the major areas in Kenyan agriculture where small farmers' co-operatives dominate. In Kenya, co-operatives account for about 80 per cent of production, with 189 co-operative societies.

Second to Kenya in world pyrethrum production is neighbouring Tanzania, where there is one processing plant and another planned to produce between 6,000 to 7,000 tons a year. The industry there produces about 14,000 tons a year and in Tanzania, also, there are moves to step up production as a result of growing world demand.

U.S. Markets

NEW YORK, August 8.

PRECIOUS METALS finished weak on Commission House buying at the dollar level. Silver was the only metal to rise, but it was not enough to offset the losses in gold and platinum.

Coffee closed strong on trade buying after news of Mexico's reopening of restrictions. Cocoa finished firm on trade arbitrage buying. Sugar closed near unchanged after early losses on Commission House buying were regained by late trade buying.

Copper—Sept. 1978/79, Sept. 1979/80, Sept. 1980/81, Sept. 1981/82, Sept. 1982/83, Sept. 1983/84, Sept. 1984/85, Sept. 1985/86, Sept. 1986/87, Sept. 1987/88, Sept. 1988/89, Sept. 1989/90, Sept. 1990/91, Sept. 1991/92, Sept. 1992/93, Sept. 1993/94, Sept. 1994/95, Sept. 1995/96, Sept. 1996/97, Sept. 1997/98, Sept. 1998/99, Sept. 1999/00, Sept. 2000/01, Sept. 2001/02, Sept. 2002/03, Sept. 2003/04, Sept. 2004/05, Sept. 2005/06, Sept. 2006/07, Sept. 2007/08, Sept. 2008/09, Sept. 2009/10, Sept. 2010/11, Sept. 2011/12, Sept. 2012/13, Sept. 2013/14, Sept. 2014/15, Sept. 2015/16, Sept. 2016/17, Sept. 2017/18, Sept. 2018/19, Sept. 2019/20, Sept. 2020/21, Sept. 2021/22, Sept. 2022/23, Sept. 2023/24, Sept. 2024/25, Sept. 2025/26, Sept. 2026/27, Sept. 2027/28, Sept. 2028/29, Sept. 2029/30, Sept. 2030/31, Sept. 2031/32, Sept. 2032/33, Sept. 2033/34, Sept. 2034/35, Sept. 2035/36, Sept. 2036/37, Sept. 2037/38, Sept. 2038/39, Sept. 2039/40, Sept. 2040/41, Sept. 2041/42, Sept. 2042/43, Sept. 2043/44, 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OFFSHORE AND OVERSEAS FUNDS

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† Vanbrugh Guaranteed	92%

INDUSTRIALS—Continued

INSURANCE

PROPERTY—Continued

INV. TRUSTS—Continued

FINANCE, LAND—Continued

DAIWA SECURITIES

MINES—Continued

CENTRAL AFRICAN

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

AUSTRALIAN

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

OILS

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

TINS

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

COPPER

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

MISCELLANEOUS

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominated in pence. Estimated price/earnings ratios and cover ratios are shown in parentheses. Dividends are shown in pence per share. Dividends are shown in pence per share. Dividends are shown in pence per share.

TEAS

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

MINES

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

CENTRAL RAND

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

EASTERN RAND

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

FAR WEST RAND

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

O.F.S.

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

FINANCE

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

DIAMOND AND PLATINUM

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

OPTIONS

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

3-month Call Rates

Stock	Price	%	Div.	Yield
Anglo American	173	+5	0.00	1.34
De Beers	170	+7	0.00	1.10
Gold Fields	174	+10	0.00	1.25
Platinum	176	+10	0.00	1.41
Witwatersrand	173	+10	0.00	1.41

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